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and BUSINESS ANALYST

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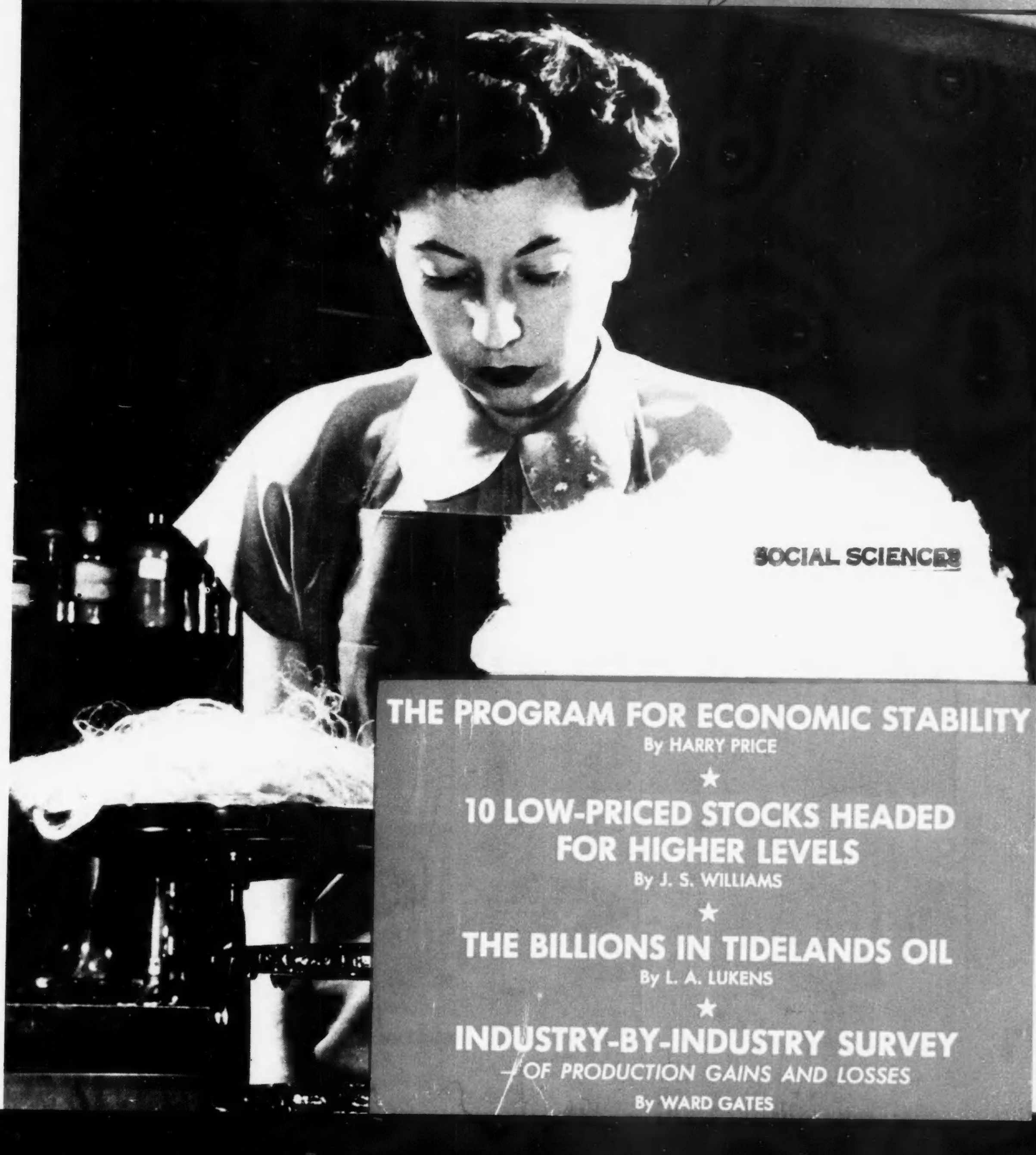

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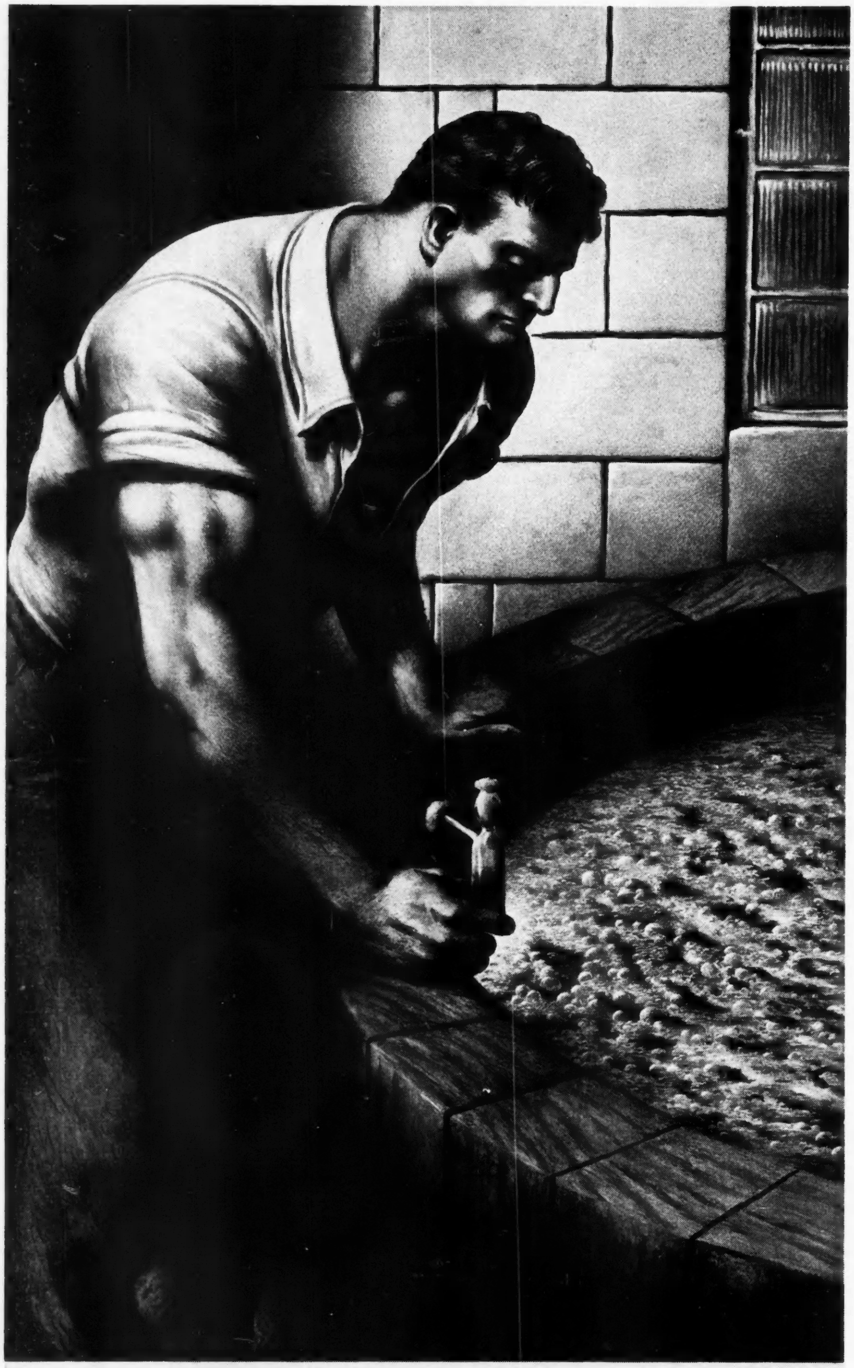

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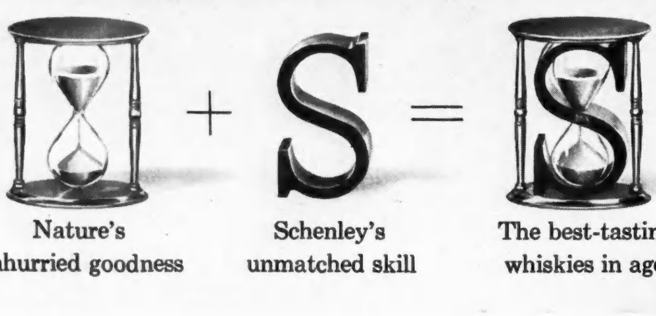

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THE MAGAZINE OF WALL STREET and BUSINESS ANALYST

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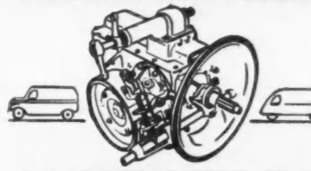

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The Board of Directors of this Corporation has this day declared a dividend of $1.00 per share, payable December 10, 1952, to stockholders of record at the close of business on November 18, 1952. Transfer books will not be closed. Checks prepared on IBM Electric Punched Card Accounting Machines will be mailed.

A. L. WILLIAMS, Vice Pres. & Treasurer
October 28, 1952

IBM TRADE MARK **INTERNATIONAL BUSINESS MACHINES CORPORATION**
590 Madison Ave., New York 22

The Board of Directors of this Corporation has this day declared a stock dividend at the rate of five shares for each 100 shares held, to be issued January 29, 1953, or as soon thereafter as practicable, to stockholders of record at the close of business on January 5, 1953. Transfer books will not be closed.

A. L. WILLIAMS, Vice Pres. & Treasurer
October 28, 1952

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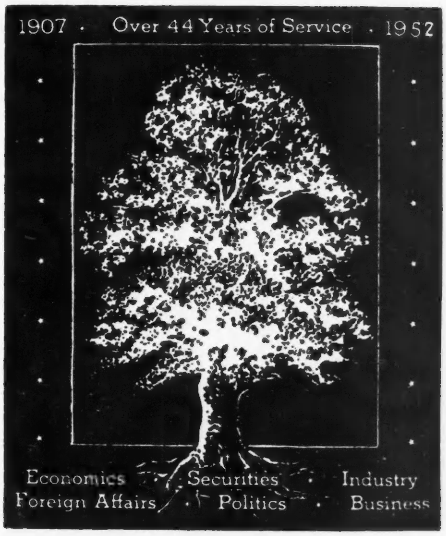
THE MAGAZINE OF WALL STREET

C. G. WYCKOFF, *Editor-Publisher*



The Trend of Events

THE NEW SECRETARY OF DEFENSE . . . General Eisenhower in naming Charles E. Wilson, president of General Motors, to the post of Secretary of Defense has definitely taken the initiative in preparing for the vast economic moves that must be made by the incoming Administration. The office of Secretary of Defense has become essentially one of industrial mobilization, its military functions having been practically relegated to the Chiefs of Staff. Therefor, it is a matter of the greatest moment that the incumbent be a man of unchallengeable authority in this vital field. Such a man, of course, is Mr. Wilson. In recognition and appreciation of Mr. Wilson's immense capabilities, the president-designate, has shown that he himself is fully aware that effective industrial mobilization is basic to our defense and that he knows how to find the men to help bring this about.

The new Secretary is a leader among those great industrial figures who have justly critized the outgoing Administration's handling of defense-economic related problems. He has pointed out that more efficient administration could result in the saving of very large sums. There is no reason to doubt that, with his enormous know-how, he will find ways and means of running his highly complex department without the waste and extravaganze which has characterized previous efforts.

Of equal importance, is that business and industry will feel more encouraged to work together with the government, something they were unable to accomplish successfully in an atmosphere that, to say the least, was not too friendly to business. With a highly experienced industrialist at the head of the Department of Defense, it is to be expected that the massive problems of business will be given sympathetic and knowing consideration.

We may be sure, therefore, that a much more satisfactory working arrangement than the present between the government and industry is in the making. The question, however, is whether the new Secretary will be able to evoke an equally favorable response from the unions. Leaders such as Walter Reuther of the CIO automobile workers are known to be antipathetic to Mr. Wilson's basic formula for labor which is that the highest possible degree of productivity attainable is the ultimate test of labor's real gains, and not mere wage rises.

As a matter of fact, Mr. Wilson did not hesitate after the end of the war, to advocate the heresy—to the New Dealers—that the working week be increased to forty-five hours instead of forty. He said this would be a prime necessity if inflationary pressures built up during the conflict were to be kept in check and the public provided with adequate goods at reasonable prices. This eminently sane proposal immediately incurred the implacable hostility of the union leaders. Nevertheless, as the history of prices unfortunately has shown since, Mr. Wilson was right and the unions to the great cost of the public were wrong. In this respect, Mr. Wilson proved that, if allowed, he would have been a better friend of labor in the final analysis, than their leaders. Based on his basically friendly attitude towards la-

We recommend to the attention of our readers the analytical discussion of business trends contained in our column "What's Ahead for Business?" This regular feature represents a valuable supplement to Mr. A. T. Miller's stock market analysis of importance to investors as well as to business men. To keep informed of the forces that may shape tomorrow's markets, don't miss it!

bor, he will undoubtedly continue to support the legitimate aspirations of the working man, but it will be with the general welfare in mind.

THE TRIAL IN PRAGUE . . . The spectacle in Prague, in which the chief performers are the fourteen former officials of the Czechoslovakian communist state on trial for their lives for 'treason", must evoke mingled feelings of outrage and scorn. The apothegm that revolutions tend to devour their children could be re-stated in this case to the effect that revolutions also end to devour their parents. For these fourteen were among leaders who turned this once democratic country over to the tender mercies of the Soviets a few short years ago.

One need waste little sympathy on this now ragged group of one-time powerful conspirators. Given the chance, they undoubtedly would have meted out the same treatment to those who put them in the dock.

A ray of light for the Western World, however, pierces the murk surrounding the cynical proceedings in Prague. That is, in accordance with well-established Soviet custom, not-so-innocent victims are being offered up to the twentieth century Moloch, in the hope that this will divert the attention of the people of Czechoslovakia from the unendurable prison which their country has become. This can only mean the present rulers are uneasy in the knowledge that the better life they have promised the population has not materialized, and that sooner or later they will themselves be removed from the shaky thrones they now occupy.

THE BUDGETARY PROBLEMS AHEAD . . . According to the most recent reports, President Truman is about to drop an $85 million budget for fiscal 1953-54 into the lap of President-Elect Eisenhower. This is actually $6 billion more than the last budget voted by Congress. It is naive to believe the realities of the situation can permit such a huge financial commitment. The President, apparently is having a grim, little joke of his own before retiring from the scene.

In any case, the sum proposed would exceed by $16 billion the total expected revenues under existing tax laws. In addition, there will be a revenue loss of some $8.5 billion from taxes expiring next year. Of this amount, approximately $3.5 billion will be forfeited in the expected lapse of the excess-profits taxes on June 30th; and the balance, when the 11% increase in personal income taxes ends at the end of 1953, along with excise tax boosts and the 1951 hike in corporate taxes.

Assuming the preposterous $85 billion budget, expiration of the taxes enumerated would produce a deficit in fiscal 1953-54 of nearly $25 billion. This alone indicates the unreality of such a colossal budget.

Without venturing to prognosticate too closely in and admittedly highly fluid situation, a reasonably trimmed budget of about $70 billion is likely to be proposed by the new President. This is the figure mentioned by those closest to the incoming administration. It is almost $10 billion under the present budget, and would normally bring income and outgo into approximate balance. However, the $8.5 billion loss in taxes will pose a difficult problem for the new administration unless the cuts are restored or substitutions found. This will be an extremely difficult nut to crack and illustrates the nature of the problems President-Elect Eisenhower will have to face. It may very well be therefore, that in the first year of the new Administration, tax cuts will not be as great as hoped for. Already, there are semi-official hints from the new leaders that before taxes can be cut, expenses must be slashed. Genuine cuts in taxes therefore, probably will not materialize until the second year of the next Administration.

WHERE IS THE INFLATION? . . . The new revised basic commodity index of The Bureau of Labor Statistics, which changes the averages from a 1939 base to 1947-49, will perform a useful service in providing a more realistic basis of comparison with post-war conditions. The new index also is brought into conformity with the wholesale price index revised a few months ago. As the basic commodity index concerns itself with sensitive-price raw materials, it gives an up-to-date picture of world market conditions; and, hence, is of great importance in determining international price trends. As such, of course, they are great value to businessmen and investors.

Analysis of the post-war index, as revised, indicates a very severe drop in spot prices of important world commodities since the end of 1950. At that time, they stood at 128.9, whereas the current figure is 91,2. This represents a decline of approximately 30%. The great scope of this decline is of the utmost importance to many raw-material producing countries and is responsible for the distress which has appeared in recent months in many of these areas. The price drop reveals the fact that production of some important raw materials has far outrun demand. Further difficulties in this respect may be encountered when expected reductions of American expenditures for defense further constrict world markets for such commodities. Altogether, a rather unhappy time seems to be facing these producers. In their case, at least, it is logical to ask: where is the inflation?

COLOMBO PLAN COMMENCES TO FUNCTION . . . The Colombo Plan, of which not much has been heard since the two years of its inception, apparently has accomplished more than is generally realized. This plan or, as it is more formally called, The Colombo Plan for Cooperative Economic Development in South and Southeast Asia, represents the development programs of India, Pakistan, Ceylon and the U.K. territories of Malaya and British Borneo through June 30, 1957. These programs have been under way for a full year and have been facilitated through the good offices of the Consulative Committee, a unique instrument whereby the assistance requirements of these countries are made known in detail. Of interest is the fact that neighboring countries in the region are now also members of the Committee. These are Burma, Cambodia, Laos, Vietnam and Nepal.

The various programs envisage total public investment of some $5.2 billion, of which 40% will be supplied by the individual countries, some 15% through drawing down on their sterling reserves, and the balance from outside sources. The scope of the capital investments involved is indicated by their wide range, from dams and communications to rural development, edcuation *(Please turn to page* 266)

BUSINESS, FINANCIAL *and* INVESTMENT COUNSELLORS: : 1907 – *"Over Forty-four Years of Service"* – 1952

As I See It!

By CHARLES BENEDICT

OVER-RATING MR. NEHRU?

Much has been said about Mr. Nehru's genius and exemplary character, and no one will disagree with that premise. But Mr. Nehru's talents as a realistic political leader and conciliator still remain to be proved, as well as his capacity to satisfactorily unite the elements in his own country.

In his latest plan for settling the Korean war it would seem that Mr. Nehru is merely passing on to us the uncompromising demands of Communist China, instigated by Soviet Russia.

And, to suggest that the Committee should consist of Poland and Czechoslovakia, two Communist satellite nations on the one hand, and two neutrals like Sweden and Switzerland on the other, who are both in a vulnerable position vis-a-vis Russia, leaving out the United States and any of our interested allies, seems absolutely fantastic. In fact, he is actually setting up Communist China as a participant in the arrangement and leaves the United States out entirely, because there is no question but that Poland and Czechoslovakia would follow the orders of Communist China which would reflect the wishes of the Kremlin.

That Mr. Nehru should present a plan composed of these elements to us, when at the same time he refuses any outside interference on his own problem of Pakistan, is extremely unrealistic and contradictory.

Besides, the plan suggested would not actually change the terms of Communist China nor alter by one iota Mr. Vishinsky's insistence in his speech on Korea in the United Nations. But, would suggest merely a different method that would bring about an exchange of those prisoners who desire to return to their respective countries, while the rest who refuse to return, would be interned in prison camps awaiting upon disposition of their individual case. By this method we would be just as certain to condemn to death those prisoners who have already threatened to commit suicide if they were returned to Communist China and North Korea. The plan is actually a device to win a diplomatic victory for the Kremlin — something that we cannot possibly permit at this stage of the game, because it would be appeasement of the worst form and drag us into even deeper trouble, for it would give the Communists a green light of added power for aggression elsewhere.

"INSTRUCTIONS FROM MOSCOW"

Dowling in the N. Y. Herald Tribune

There seems to be no doubt that this is a new move in Russia's peace plan and has the approval of Stalin. His telegram of congratulations on Mr. Nehru's birthday was a way of wishing him Godspeed on this mission. Will Mr. Nehru interpret it as a promise that Stalin will end the Communist infiltration of India? Then Mr. Nehru would be naive indeed.

The only realistic way to solve the problem of Korea would be to do so in such a way as to make certain that the settlement would impress Russia and Communist China with our strength and the belief that they could not afford to undertake other acts of aggression in the Middle East or elsewhere — because that part of the world is unquestionably the next step on Stalin's agenda.

For, if the Communists get clear of the war in Korea on their own terms, it would expose a weakness, not only in our position but in the United Nations, that they could turn to the greatest advantage in a way to bring easy victories in areas of strategic importance to us.

I think this is what General Eisenhower had in mind when he felt it was important for him to go to Korea so he could see the lay of the land — to know what our military position truly was in relation to the Communists— (*Please turn to page* 260)

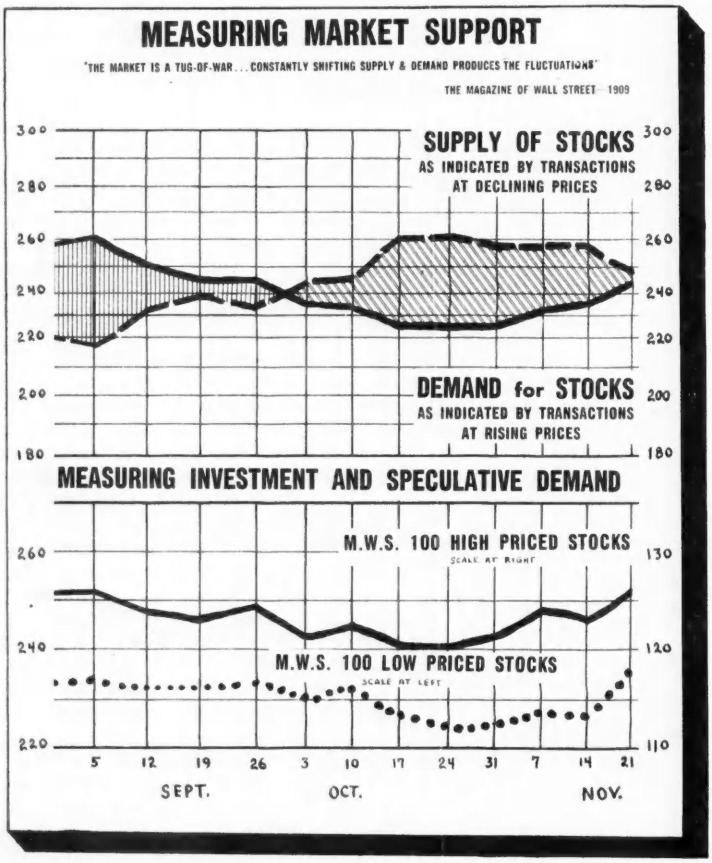
Market Buoyant on Renewed Confidence

The market had a further net rise over the last fortnight, with most of it concentrated in the first several trading sessions of last week. Generally speaking, up to our press deadline, activity was increasing on the up-side, with the industrial and rail averages hovering right around their August major highs and a trend test imminent. The immediate future should tell an important story.

By A. T. MILLER

After spending six trading sessions in digestion of the relatively sharp improvement in stock prices registered just before and immediately after the election, the market forged ahead again last week in enthusiastic fashion. Reflecting broadening interest, trading activity set the most active pace of the year, although it remained moderate, especially in relation to total shares listed, as judged by the standards of earlier times. The ground given up on the August 11-October 22 downswing has now been almost fully recovered, at least by the daily averages, with the performance of individual issues remaining selective as usual.

The utility average has bettered its prior major high by a clear-cut margin, with the great majority of stocks in this broad group participating. The industrial and rail averages have come within a fraction of their early-August major highs. A fair number of stock groups have provided either fresh or stronger leadership, including tobaccos, automobiles, auto parts, electrical equipments, baking, household furnishings, food brands, tires, chemicals, paper, food chains, natural gas and radio-television.



Prominent Stocks in the Vanguard

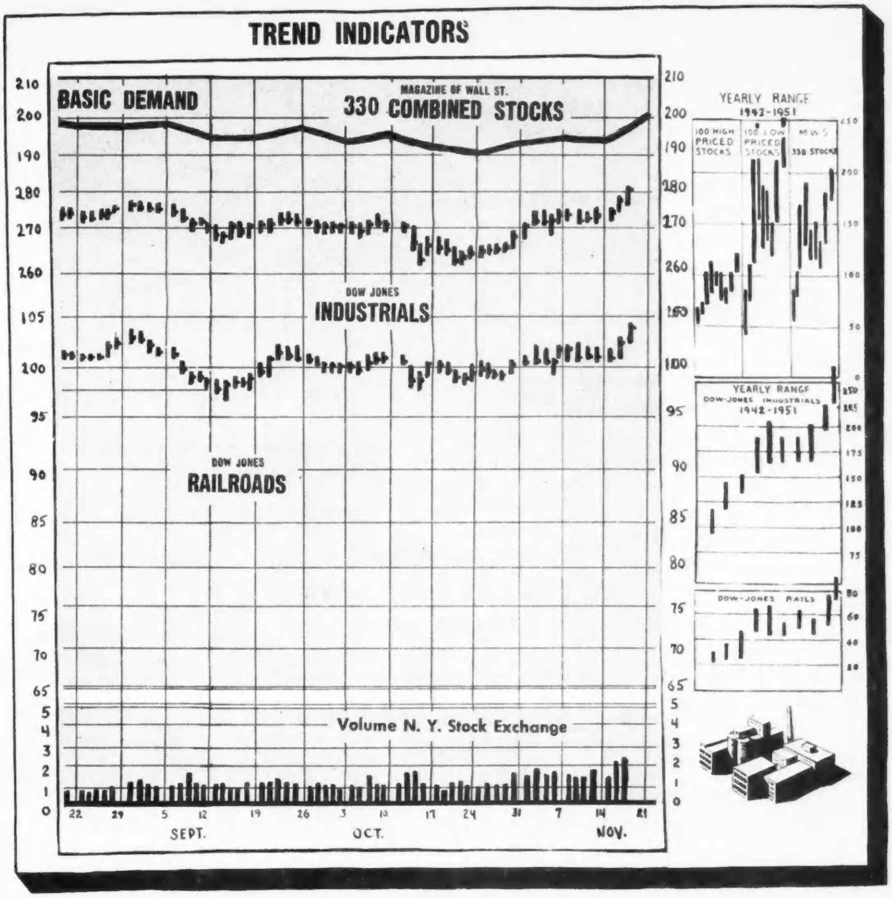
A number of prominent stocks of the "leader" type, whose performance is capable of giving some general lift to market sentiment, have risen to new highs for 1952 or longer. They include American Telephone, General Motors, General Electric, General Foods, du Pont, Firestone Tire, Goodrich, International Business Machines, and Westinghouse Electric, to mention only a few.

A betterment of the previous highs by the industrial and rail averages would not necessarily mean a sustained advance. If this were considered as a "signal," suffice it to note that on last summer's upswing a similar and stronger bullish "indication" was given, yet the industrial average topped out at a level less than 2% above its prior bull-market high recorded almost a year earlier in September, 1951. As we have pointed out before, the repeated stoppages over so long a period of time of upswings in this average, in the area 276-280, suggests a formidable supply level. It would take more than a slight penetration of it to change the pattern decisively. However, there is a possibility this may occur on the current move.

Still, without an emphatic penetration, the assumption suggested is that it remains, as for a long time heretofore, a selective trading-swing market. A clear-cut break of the old range must be measured by points, trading activity and breadth of participation in terms of stock groups, as well as by key stocks. Since early 1951 breadth indications around the highs of all upswings have been on the disappointing highs.

Precisely because the supply level

cited has been a barrier for so long, however, a decisive break-through could, obviously, have all the more significance. The potentialities therefor cannot be appraised adequately in terms of the outlook for business, earnings and dividends. That outlook has not been suddenly changed. But the Eisenhower victory has indubitably given a general lift to confidence, which tends to make investors take a rosier view of the outlook. This is an imponderable which for a time could transcend statistical facts. Being an imponderable, it cannot be measured, much less be projected, in concrete terms.



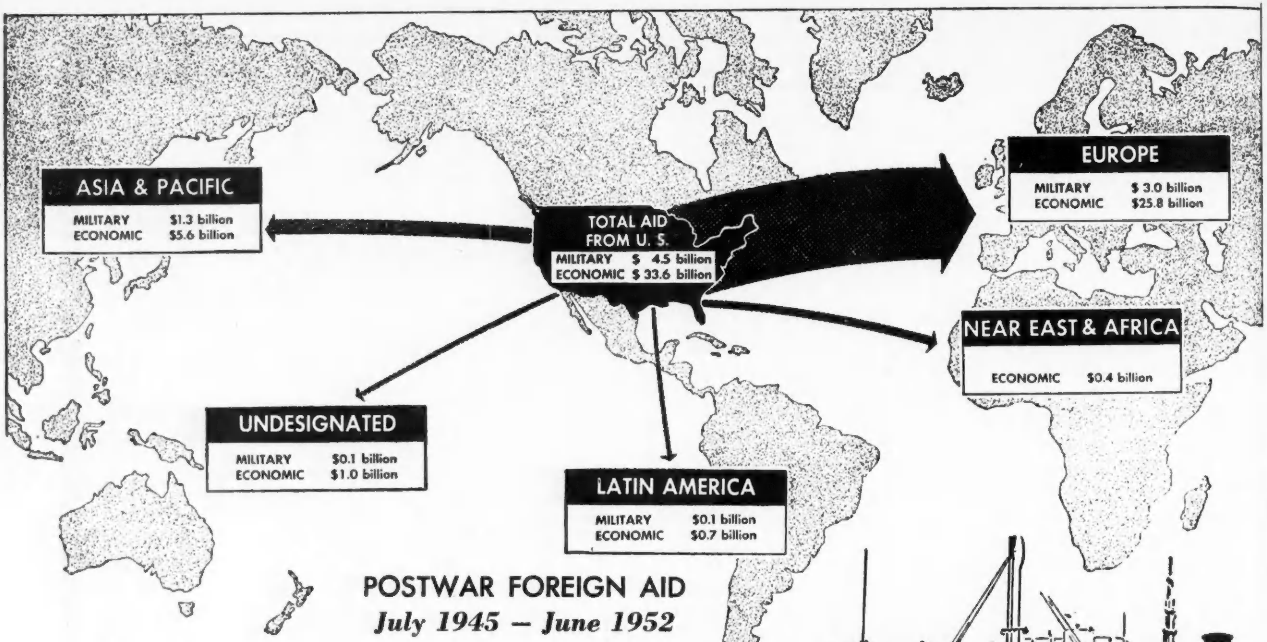
It is true that average price-earnings ratios are moderate enough, and average dividend yields high enough, to allow leeway for a material "confidence rise" in stock prices, without approaching the extremes reached, in terms of these realistic measures, at past bull-market highs. But it is probable that ratios have remained on the moderate side, and dividend yields fairly high, throughout the 1949-1952 market uptrend primarily as an allowance for the long anticipated postwar or post-defense deflationary economic adjustment, rather than because of political considerations. If the latter were controlling, we would not have had typically high ratios and low yields at the 1946 bull-market high, for that, of course, was under the New Deal-Fair Deal regime.

Among the managements of quite a few large corporations there was some tendency toward moderately greater optimism on 1953 business prospects developing on the basis of their own marketing studies before the election. This has now gone further, for which the cheering election returns no doubt can be credited with an assist. Like investors, what business managers think they see ahead is colored by whether they are looking through rosier or darker glasses. Being human and having a high degree of confidence in Eisenhower government, their glasses are now rosier. As time passes, with the much talked about "coming slump" still around the corner, guesses on the timing thereof are put somewhat further ahead. Not so long ago, sentiment was hopeful "at least for the first quarter" of 1953, later for "most of all of the first half." Now there is less of a tendency to worry about the third quarter. In a minority of cases, fairly confident projections are being made for all of 1953, perhaps most notably in such fields as automobiles and auto parts, electrical equipment (including appliances and television), chemicals, air lines and, of course, aircraft.

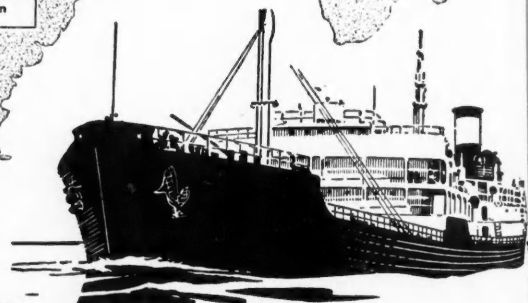
The end of price control could boost 1953 earnings materially in a few lines, most notably cigarettes and cement, perhaps for sulphur producers. Given adequately maintained volumes through the second half—which is the $64 question—earnings in many cases would benefit importantly if EPT is left to expire next June 30 or is moderated. These hopes have been feeding the improvement in stock prices, and to a large extent shaping its selectivity.

A Longer-look Ahead

It may be that business will stay good for about as long a time ahead as the market is generally inclined to try to look. But, whether it starts before the end of 1953 or not, there is undoubtedly an economic bump coming, of unpredictable severity and duration. It is as certain as that rain will follow sun—unless we have a global war, which would be indubitably bearish. We are unquestionably in the upper reaches of the longest boom in our history. It has been financed much less by expansion of public debt than by rise in private debt. Total business-concern and individual debt by the end of this year will be around $300 billion, up $159 billion, or 113% for the postwar period, comparing with a rise of 39% in the six years 1924-1929, the supposedly giddy period of the Coolidge-Hoover "New Era" boom. So stimulating a rate of private debt expansion—about $33 billion this year—cannot continue indefinitely. Neither can the record capital-goods activity or the current rate of consumer durable-goods activity, including housing. And neither will the approaching peak rate of defense spending. These are the keystones in the arch sup- (*Please turn to page* 268)



POSTWAR FOREIGN AID
July 1945 – June 1952



The Program For...
Economic Stability

By HARRY PRICE

For the first time in almost a generation it will be possible for Americans to fix new economic and financial goals for the United States. The new Eisenhower Administration has the chance to set our economic house in order, and through this find the key to economic stability.

If the greatest benefit is to result—both to the United States and the rest of the world—the key to the Eisenhower program can be summed in one word: *stability*. Part of the "change" millions of Americans were seeking in the election was simply a desire for this stability. From all indications and the initial steps he has taken so far, president-elect Eisenhower seems bent on fulfilling that wish.

The past six years, particularly, has been a period highlighted by impromptu economics. Measures were taken before there was any visible need for them; other measures, meanwhile, were delayed long past the time when they would be of any usefulness to the economy.

From all surface indications, we have been experiencing for the past few years the greatest prosperity the country has ever known. Employment is at its highest, savings have been reaching new heights almost monthly, department store sales continue to soar, corporate earnings continue at high levels, and the same is true of personal income and salaries.

Add these factors and the country should be enjoying an economic mood, if not of contentment, at least of ease. It should be a period of economic bliss. But such is not the case. Instead, the country, and even the rest of the world, has been in a state of economic unrest; so strong it upsets one of the oldest and strongest political maxims—that people never vote against prosperity. But they did so this time. Or perhaps it would be more accurate to say they voted against a particular type of prosperity. The great mass of voters were decisively opposed to a type of prosperity they sensed rather than realized was unstable; so precariously poised it could be swept away and the country plunged into depression by threats of many kinds.

Foundation for Sounder Dollar

Now, the country has for the first time in many, many years the opportunity, and the Eisenhower Administration seems ready to fulfill that opportunity, of setting an economic course that will give the United States and to a great extent the rest of the world, a period of greater economic stability.

That will mean a sounder dollar both here and abroad, and an end to the wild surges of inflation in other countries and the constant climb of prices here. It will give the people—all the people, not just investors and businessmen — a confidence in their long-range saving and investment program; a knowledge that it will be possible to plan for a secure economic future.

Behind these symptoms will be a different mood amongst business people. The businessman will know he doesn't face the risk of arbitrary decisions, many of them unrealistic, by government officials. And although businessmen have operated success-

fully—to the extent that they continued to show a profit—over the past several years, it took place in an atmosphere that might be characterized as chaotic.

One example tells the whole story. When the Korean war broke out and the United States immediately plunged into a huge rearmament program, businessmen as well as others fully realized some economic controls would be forthcoming. Congress' realization was expressed in its speedy passage of the first Defense Production Act which provided for a wide range of price, wage, credit and other economic controls. But once it had the powers, the Administration did nothing. It wasn't until almost eight months after the outbreak of the Korean War that price and wage controls were put in effect—after a period of soaring prices and wages which could have been slowed if the Administration had used the powers it had available.

Early this year, the same unpredictable economic shifting occurred. Mobilization officials, government financial experts and others all proclaimed the controls then in effect would continue for many, many months to come, possibly as long as two and half years. Yet only five or six weeks after this flood of official warnings, the controls were being relaxed and removed: with a resultant abrupt reversal in businessmen's plans and operating schedules.

The Eisenhower Administration, by careful planning, can eliminate this chaos, to the benefit of not only the domestic economy, but world business conditions as well. It would give our allies and other foreign associates a greater degress of confidence in our policies, particularly those covering foreign aid, both military and economic, as well as in our tariffs and respect for a stable U. S. dollar.

Steps Toward Stability

Here is how this stability can be achieved—and the first moves of the Eisenhower Administration give every indication of being able to accomplish it:

First, a major, overall study of the economy will have to be made. What are known in military circles as "position papers" will then have to be prepared outlining the limits of the total economy. Mr. Eisenhower's advisors must determine just how much inflation the U. S. economy can take safely. They will also have to determine at what point a business recession becomes critical.

They will then outline just which measures are to be taken at any point in the economic cycle. And by careful charting, they will enable business to operate in an orderly fashion, always aware of the steps ahead. It will mean an end to administration by surprise, by makeshift, a halt to bureaucratic temporising.

The steps that can be taken to provide a stable economy are relatively simple. Most important will be federal spending. An enormous slash of $30 billion a year from the budget—which no one anticipates for some years to come—would still mean federal spending of approximately $50 billion a year. This amount cannot help but have a sustaining effect on the country's economy. The spending of this money could be better timed, however, more delicately adjusted, to give the country a more stable economic picture.

But events sometimes preclude any delicate balancing of federal spending. An international crisis, for example, could force the U. S. to expand its arms program rapidly. In that case, other forces could be brought into play.

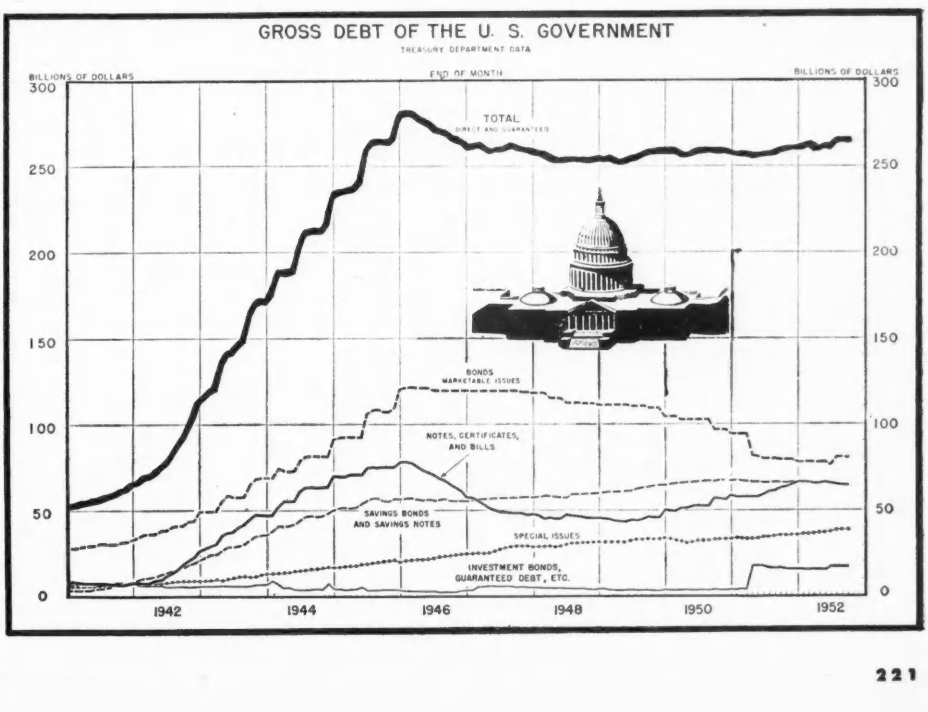
Basic among these are monetary controls. Federal monetary agencies have complete power to regulate the monetary system. They can reduce the supply of credit and money, and also raise interest rates. Banks can be forced to raise their reserves. The interest rate banks pay to the Federal Reserve can also be increased.

Moves such as these would halt inflation in a period of heavy federal spending because they would take money out of circulation; there would be a corresponding cut in spending power made for every inflationary spending plan the government made.

Soundness of Basic Controls

These powers are not new, as everyone knows. They've been in effect for many years. But until now they either weren't used at all, or were used at the wrong time—sometimes it seemed they were used at just the moment that would create the greatest disruption to business.

One further point on these devices should be mentioned. Even at the times when there was the



greatest hue and cry against the Democratic Administration's love of controls, the most avid supporters of a free economy agreed they were complaining about useless and false controls, that the basic economy curbs mentioned above would do all the Democrats wished and cause less havoc in the economy. That, in essence, "basic" controls were what was needed.

Other basic curbs could be utilized by the Administration to insure a more stable economic existence. The government, for instance, will continue to play a dominating role in fixing the prices of farm goods. In periods of threatening inflation, the Administration can keep farm prices in line with reason, rather than force them continually upward, as has been the recent experience.

These steps would in reality keep prices from skyrocketing. In other words, the goods the country produced would continue to be available at a price consumers would be willing to pay.

Regulation of Wages

This presents a satisfactory picture, but still leaves a major question: wages. They would have to be sufficiently high to enable consumers to go out and buy goods.

It is almost unanimously agreed that in periods of inflation some form of wage control will be necessary. Our recent experience is a good example of how not to regulate wages. In almost every case they served as a spur rather than a hindrance to inflation. Under the "hit or miss" and delayed action policies of the outgoing Administration, the economic tranquility of labor has been as much disturbed as that of business. The affect upon labor was to create an intense degree of uncertainty for the moment and a great fear of what might develop not only in the immediate future, but overnight, so to speak. Such a state of mind was engendered by inept efforts to keep prices of consumer goods essential to maintain life in balance with wages and generated a fear that impelled workers to demand pay increases.

At just what level wages should be controlled will have to be left to Mr. Eisenhower's advisors, naturally. But they will have some preliminary work already done for them. A panel of economists recently made the estimate for the New York Herald Tribune that wages must of necessity fluctuate in the narrow range of 62 percent to 64 percent of the national income. Many may disagree with these figures, but at least they provide a more solid foundation for regulating wage scales than has been the country's experience in recent years.

So far, all the stabilizing devices mentioned have been relative to periods of prosperity or inflation. The other extreme, of course, must be taken into consideration. Again, basic measures are available for the government which will provide a stable economy with no disruption.

First, naturally, would be a reversal of most of the policies mentioned earlier relative to monetary controls in time of inflation. The government fiscal agencies could ease the supply of money in circulation. The government could make it easier to borrow money. In extreme cases, the government could permit a federal deficit to develop.

Cushioning a Slump

But that would be hardly likely. The basic economic measures plus other routine devices available to the Administration would cushion any slump. Most important of these, other than the economic control measures, are federal spending.

Regardless of who is in power, there will continue to be a number of federal construction projects. Public works are part of the government procedure.

The Eisenhower Administration is expected, however, to schedule these projects to the best advantage of the economy. There would be no flood of federal projects in periods of inflation, as has been the case the past seven years. Instead, the less essential works would be eliminated, and those remaining would be approved in periods of deflation or business lethargy.

These measures would guarantee an efficiently functioning economy.

Advance Notice Beneficial

More important, however, would be the fact that none of them, in event of either inflation or recession, would come as a surprise to businessmen and investors. As a matter of fact, under an Administration, regardless of the party label it might bear, that has a better understanding of our economy than that held by those in power in recent years. Surprises are apt to be less frequent and this in itself will be beneficial to us at home as well as to the people in other lands. In any event, such surprises would lose some of their force because they would be heralded in advance, and proper adjustments could be made in time. It would be an end to the uncertainty that has plagued business the past years.

And "uncertainty" is possibly an underestimated factor in the state of the economy. The best demonstration of the tremendous impact it can have on business affairs is the stock market.

The novice is always amazed that on the days of economic catastrophe such as outbreak of a war somewhere in the world, or work-stoppage by a huge union, the stock market will quite often act contrariwise. What he doesn't realize is that such declarations represent an actuality. Investors, on the event, know what conditions they must face and, accordingly make the proper adjustment.

During a period of uncertainty, however, the market can pull much further than the event may warrant. It is the elimination of undue uncertainty, wherever possible that will help.

One of the great difficulties in the past decade for investors has been that they often lacked the basis for making valid decisions. This was inevitable under a theory of government which laid little stress on orderliness in its approach to fundamental economic problems.

That "orderliness" is what the Eisenhower Administration can offer the United States. A period of economic tranquility, when plans can be made with some expectation of fulfillment and realization; with the knowledge that any necessary changes in those plans will be made gently, in advance, and without the chaotic disruption the United States has experienced, and inflicted on the rest of the world, in recent years.

And the tranquility here will in turn bring about more order in the economies of our allies and friends in other parts of the world, enabling them, too, to plan for a more prosperous and dependable future.

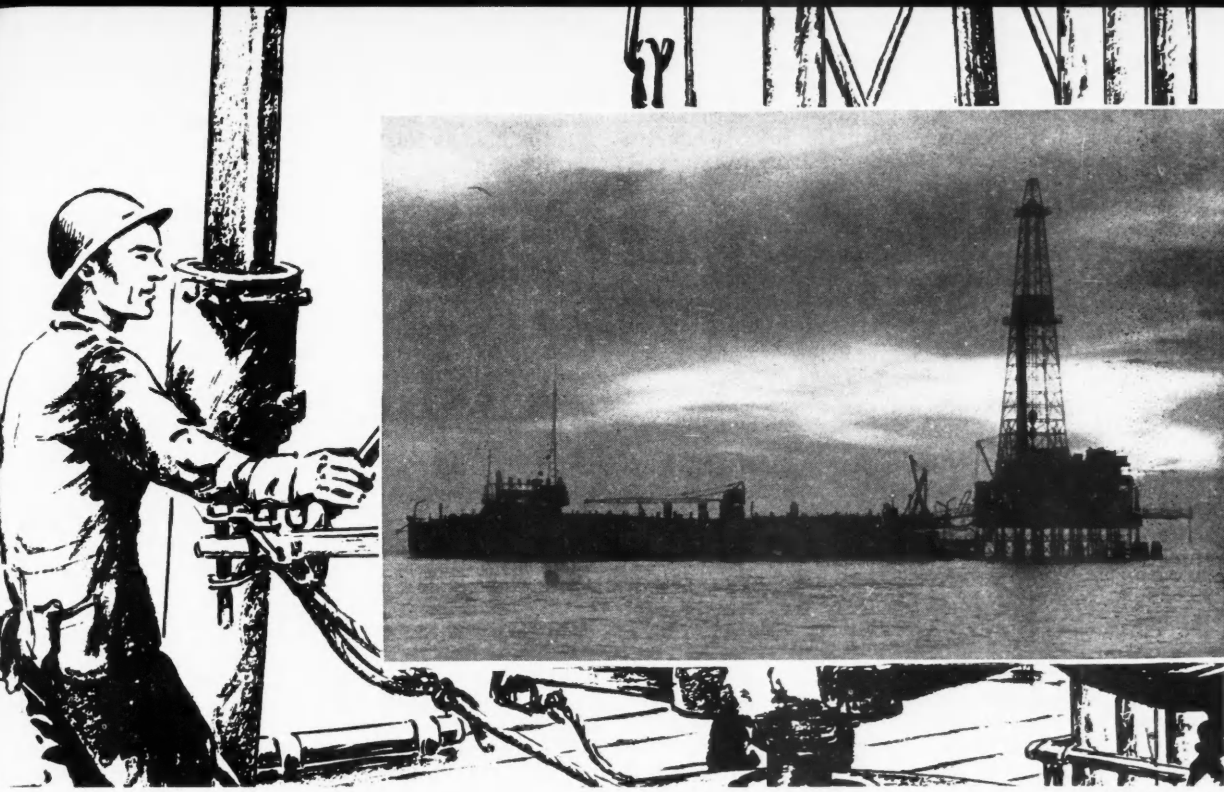


Photo by Socony

Billions in Tidelands Oil

By L. A. LUKENS

The November victory of General Dwight D. Eisenhower, the Republican Party and the states' rights advocates means, among other things, that presently we shall hear more, rather than less, about tidelands oil. And what we shall hear will, in the the years ahead, come less, if at all, from Capitol Hill and more from the offshore areas of such states as California, Texas, Louisiana, Mississippi and Florida.

As the legalistic babble of the politico subsides, the mighty roar of great new industries and flourishing regions, some not yet born, should make themselves heard in this area.

For early next year the new Congress, with the blessing of the new Administration, surely will give to the states the rights to oil deposits and other treasure off their shores. President Truman, who leaves office in January, twice has vetoed such a measure.

Very Large Stakes

Numerous oil companies already have "tidelands" leases from the states and have undertaken exploratory work in the Gulf of Mexico and Pacific Ocean. While the threat of Federal ownership to the legality of such leases has kept these companies from proceeding on the vast scale customarily associated with the giant oil firms, their investment already is considerable.

The stakes are high—untold billions of dollars of mineral wealth, all but untapped until now.

Federal legislation permitting ownership by the states, now a foregone conclusion, would verify their leases, remove uncertainties and open the way to the kind of large-scale commercial exploration to be expected of these fast-moving firms.

To get at this underseas hoard, costly gear is needed. One big company has erected a steel platform covering a whole acre in the Gulf, anchoring it with steel pilings driven 180 feet into the mud floor. On the platform a superstructure housing workers, machinery, temporary storage tanks and the like was built. Over that a 120-foot derrick had to be erected.

Development Held Back

From the platform half a dozen wells were drilled. Their caps were only about 10 feet apart. But they were drilled on a slant, at an angle of about 45 degrees, so that when they reached production levels at 10,000 feet they were about a mile distant.

Two of these turned out to be dry holes. Four produced oil. Since each field has only the discovery well, the potentialities can not be gauged.

Nor will they be until the question of ownership of these submerged lands is settled finally. While

the controversy rages the oil companies have been restrained from further extensive development.

The prevailing uncertainties were emphasized anew as recently as November 10, 1952, when the Supreme Court received a report from William H. Davis, special master in the dispute between the State of California and the Federal authorities. Following the decision of 1947, in which the High Court had held that Washington possessed paramount rights over the underseas areas, Mr. Davis was named special master to examine these particular questions. In his report he recommended that the Supreme Court find that:

1. The channels and other water areas between the mainland and the offshore islands were not inland waters as contended by California, but are in the open sea.

2. No one of seven particular coastal segments he chose for determination and adjudication was a "bay constituting inland waters."

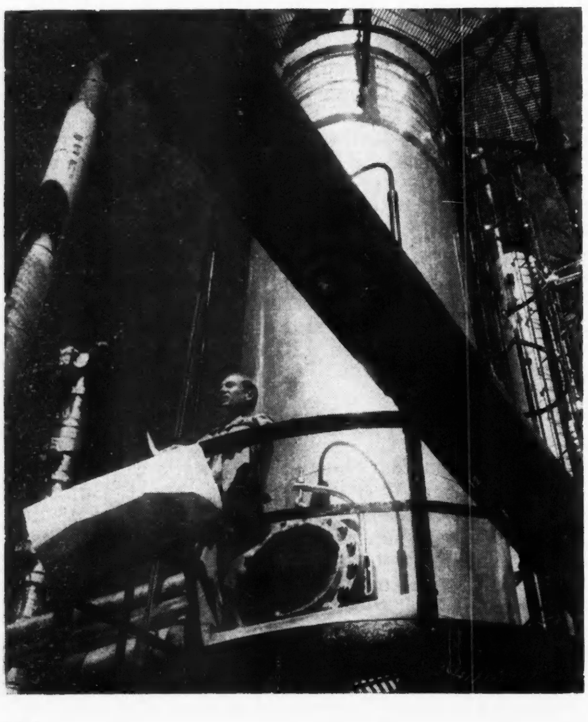
3. The "ordinary low-water mark" on the California coast was the intersection with the shoreline "of the plane of the mean (average) of all low waters" to be established by the United States Coast and Geodetic Survey from observations over a period of 18 years.

In 1947, the Supreme Court held that the Federal government had paramount rights beyond the ordinary low-water mark. California asked that this mark be determined by the average of the lower of two daily tides.

More than a score of oil concerns already have invested some $500,000,000 in leases, exploratory work and drilling equipment. And even this impressive figure will be dwarfed in short order when Congress passes a law spelling out the legality of these leases entered into with the coastal states.

Potential Size of Reserves

Geological estimates of the oil reserves off the shores of California, Texas and Louisiana alone



range above 15,000,000,000 barrels—more than one-third of the known reserves under dry land in this country. A barrel of oil contains 42 gallons and is worth $2.65 at East Texas, which gives some idea of the tremendous riches involved in a generation-long political snarl.

The term "tidelands" though commonly used is in reality a misnomer. Tidelands—the lands between high and low tides—belong to the states and, indeed, always have. The present conflict arises over the submerged region from low-water mark to the edge of the continental shelf, the point where the sea floor plunges into the pelagic depths.

As President Truman noted last May in his most recent veto of the resolution that would have established state title to these properties:

"Contrary to what has been asserted, this resolution would have no effect whatever on the status of the lands which lie under navigable rivers, lakes, harbors, bays, sounds and other navigable bodies of water that are inland waters. Neither would it have any effect on the tidelands—that is, the lands along the seashore which are covered at high tide and exposed at low tide. All such lands have long been held by the courts to belong to the states or their grantees and this resolution would make no change in the situation.

"The only lands which would be affected by this resolution extend under the open ocean for some miles seaward from the low-tide mark or from the mouths of harbors, sounds and other inland waters. What this resolution would do would be to give these lands to the states which happen to border on the ocean."

At the time of the union of the 13 colonies authority ended at the low-water mark. Thomas Jefferson introduced the doctrine of offshore authority, which was exercised by the Federal government since it had not been conceived at the time the union was formed. Offshore limits gradually were extended. During the 1920's, when Prohibition of liquor was the law of the land, they were pushed outward from the traditional three to 12 miles.

In 1945 President Truman served notice in a proclamation that the Federal authorities intended to claim sovereign rights over all submerged lands to the limits of the continental shelf.

States Protect Their Rights

In the Gulf this shelf may reach as far as 150 miles and involve some 92,000,000 acres of submerged lands. Every state bordering on the Gulf of Mexico is vitally concerned. Some of them took legislative action to "safeguard" their rights, regardless of Federal decision or policies.

Texas, for example, enacted legislation in 1941 extending the boundaries of that state to the edge of the continental shelf. Louisiana extended its boundaries seaward for 30½ miles. Florida extended its domain three miles on the Atlantic Ocean and 10½ miles on its Gulf coast.

Yet these states are well aware that authority over the submerged lands, as of now, resides in Washington, thanks to three Supreme Court decisions—one handed down in 1947 and two more in 1950.

After the 1947 ruling of the High Court, California impounded royalties and rents accruing from oil exploration. In the first three years they totaled about $28 million. Since 1950 Federal aides have im-

Leading Oil Companies with Offshore Leases

	Number of Acres at Tideland: Texas	Louisiana	West Coast	Earnings Per Share: 1951	Estimated 1952	Indicated 1952 Div.	Recent Price	Div. Yield	Price Range 1951-52
Atlantic Refining	....	101,464	....	$ 4.88	$ 4.75	$ 1.90	33½	5.6%	36¼- 24½
Cities Service	....	101,464	....	14.71	14.00	5.00	93¼	5.3	120½- 82½
Continental Oil	....	103,964	....	4.25	4.00	2.50	63	4.0	75 - 44¼
Gulf Oil	....	18,374	....	6.17	6.00	2.00	48	4.1	58⅝- 40¾
Humble Oil	101,051	170,941	....	4.72	4.35	2.28	66¾	3.4	86½- 51⅛
Ohio Oil	1,920	....	....	6.35	6.25	3.00	52½	5.7	60⅞- 43¼
Pan Amer. Petroleum	....	31,468	....	5.14	4.60	1.75	33¾	5.2	41 - 25
Phillips Petroleum	2,686	98,471	....	5.11	5.60	2.40	57	4.2	62⅞- 38
Plymouth Oil	119,490	....	....	4.24	4.00	1.60	31	5.1	37⅛- 25¾
Pure Oil	....	146,228	....	7.88	7.75	2.50	63	3.9	69¼- 46⅛
Richfield Oil	....	....	n.a.	7.05	6.25	3.25	63½	5.1	74⅝- 50
Shell Oil	....	205,194	....	7.20	6.75	3.00	68½	4.3	87 - 51
Socony-Vacuum Oil	....	249,852	n.a.	5.08	4.75	2.00	34¾	5.7	40⅝- 25⅛
Standard Oil of Calif.	....	173,755	n.a.	6.05	6.10	3.00	53	5.6	64¼- 44
Standard Oil of Ohio	....	7,207	....	5.56	4.75	2.40	36½	6.5	47⅞- 33⅝
Standard Oil of Indiana	57,440	203,577	....	9.71	8.50	2.50	73½	3.4	92 - 59
Sun Oil	2,774	57,192	....	6.85	6.50	1.00[1]	82¾	1.2	94¾- 61½
Sunray Oil	....	22,707	....	2.23	2.00	1.50	19⅛	7.8	24⅜- 17½
Superior Oil	32,640	129,571	....	31.43	33.00	4.00	500	.8	570 -355
Texas Co.	17,040	100,875	....	6.50	6.40	3.00	54	5.5	60⅜- 40¾
Tide Water Assoc. Oil	....	101,464	....	2.90	2.75	1.15[1]	20	5.7	25 - 15⅞
Union Oil of Calif	....	17,910	....	5.01	4.90	2.00	37	5.4	45⅝- 33⅞

[1]—Plus stock. n.a.—Not available.

pounded these funds, in addition to revenues in the Gulf-states area.

In this conflict between the states and Washington over paramount rights to the marginal sea areas, the oil companies are caught in the middle. While the politicos wrangle the companies are loath to undertake costly development. Yet valuable leases, for which they have paid heavily, are running out.

The practice is to take up properties under a five-year lease. Terms vary.

As an example, in Louisiana the oil people pay an original "bonus" followed by annual rent of one-half the bonus. It no oil has been brought in at the close of the five-year period the lease expires. On the other hand, production automatically maintains the lease and substitutes royalties for rentals.

In Texas the bonus is higher, but the rental is only $1 an acre per year.

Since development now is prohibited many companies are in the position of having to fork over rental money for leases which in another year or two will expire with nothing to show for them. Indeed, some leases already have expired.

Hundreds of millions of dollars already have been invested off the shores of Texas and Louisiana in leases, tests and development work by such big-name oil companies as listed in the accompanying table. Obviously, these companies stand to gain the most when they are free to go ahead.

Of those listed, Socony and Standard of California have leased acreage on the West Coast. Others interested in Pacific Ocean leases are Richfield Oil and Signal Oil.

Assuming the passage by Congress early next year of a quit-claim measure, it is easy to envisage tremendous benefits to the coastal states, the oil companies and allied industries.

For the states it will mean vast new revenues, which in turn will result in better educational facilities and highway improvements. These states also will be in a splendid position to finance a wide variety of other improvements and services—hospitals, care of their aged and prison system, to mention a few.

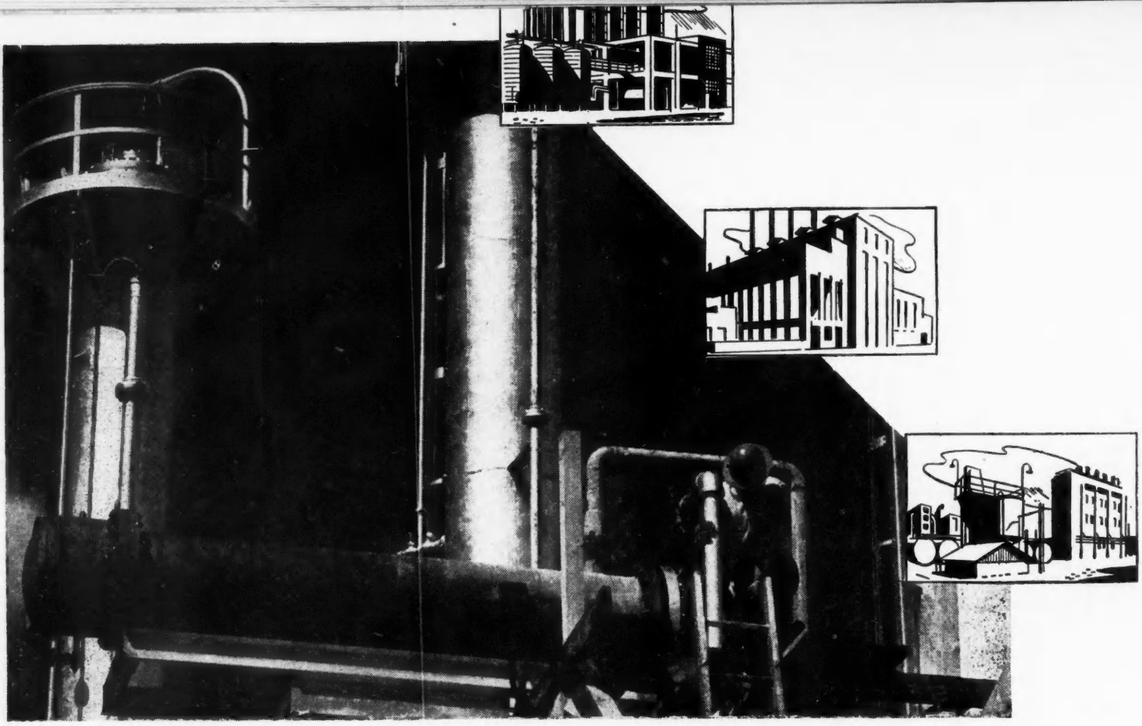
Even the current limited output has been of great importance to these states from the standpoint of revenues. Royalties now total nearly $12 million a year. Two-thirds of that sum is being paid by operators of wells off the shores of California, a not inconsiderable sum for a state government. Needless to say, the vast sums that will come to the states should eventually play a part in reducing state taxes.

As for the oil companies, only a small fraction of this country's oil output now is involved. Total output of offshore wells is about 65,000 barrels a day compared with a national output of 6,612,000 barrels. Obviously, little of the estimated 15,000,000,000 barrels has been fetched from beneath our waters.

As for the effiicency of state supervision of this colossal hidden wealth, one need but cite the eminently high reputation of such a public agency as the Texas Railroad Commission. That agency regulates railroads and buses in Texas, but its major job is to police the oil industry in that state. The commission establishes allowable production rates and its oil-conservation practices have won it high praises from all concerned. In that field it has set a pattern the rest of the world might well follow.

From the investment point of view, it is obvious that with a half billion dollars already invested in preparatory work of all kinds, companies with properties or leases in the off-shore districts, expect eventually to develop resources that will bring them many times this amount. For the convenience of our readers, we have appended a table giving pertinent figures concerning these holdings.

It is important to note, according to this table, that some of the very largest oil concerns are well represented in this potentially oil-rich section. With their enormous cash resources, they should be in a position to develop progressively increased earnings from these sources, soon as the legal complications in the way of heavy operations are removed.



Industry-By-Industry Survey —of Production Gains and Losses

By WARD GATES

Since the ending of the steel strike, American industry has performed one of its characteristic miracles and, in a general way, is breaking all peacetime records for production. Actually, total production is now higher than at the end of World War II.

The Federal Reserve Board index for October is 226, a gain over the 225 of the previous month and compared with 223 of September 1951. From present indications, current records will be broken in the final two months of the year.

With the steel industry at full blast, most other manufacturing industries have been stimulated, a situation aided by the gradual, if uneven, liquidation of burdensome inventories taking place in the past few months. This factor, in addition to mounting monthly expenditures for armaments and continued large capital investment, is providing a firm basis for the production outlook in heavy industry. In October, the production index for durables rose to 289, compared with 285 in September, and 271 in September of 1951. These figures illustrate the scope of the current upsurge.

Total industrial production would have been higher in October but for recent work stoppage in the coal mines. Resumption of mining is one of the factors that will bring the production level up to even higher figures in the near future.

Non-durable goods production has been increasing mainly due to higher textile and paper operations. As a result, the non-durable goods index rose from 194 in September to 195 in October. This compares with the index of 192 in Sept. 1951 and 188 in October. From this, it appears that the non-durable lines are also revitalized.

Strong Trend But Not Uniform

The facts given above indicate that earnings prospects for the final quarter of this year and, probably, the first quarter of 1953 have improved considerably for many branches of industry and business. However, the trend is not uniform as illustrated by the following comparisons: *recent gains in production*—iron and steel, non-ferrous metals, transportation equipment, cement, petroleum, glass products, rayon and nylon, meat packing, tobacco, paper, autos and trucks, rubber and chemicals; *recent losses in production*—machinery, leather, alcoholic beverages, and coal (due to work stoppage). The manufacturing food industries are stable, with production at about last year's levels.

From the over-all picture, apparently what is happening is the emergence of a third up-swing in the business cycle since the war, though it will not necessarily assume the dimensions of the early post-war boom and the uprush directly after Korea. The situation is quite different to-day in that business is operating in the background of an anticipated slide-off in defense business some time toward the end of next year. The indications actually are that the current improvement, while substantial, may be more limited in duration than either of the other two major swings previously mentioned.

Two general conclusions seem to be warranted at

Recent Gains in Production

	F. R. B. Inxed 1952 Sept.	Oct.
All Industries	225	226*
Durables	285	289*
Non-Durables	194	195*
Minerals	174	166*
All Manufactures	235	237*

	Output % of Capacity 1952 Sept.	Oct.
Paper	81.9%	91.3%
Steel	101.9	106.4
Petroleum Ref.	96.0	94.2
Paperboard	88.0	96.0

*—F. R. B. estimate.

	Output Weekly Average 1952 Sept.	Oct.
Paperboard (Tons)	218,800	245,000
Electric Power (Kilowatts) (Millions)	7,582	7,685
Coal Production (Millions of Tons)	10,621	7,128
Lumber Production (Millions of Bd. Ft.)	266	263
Auto Truck Output	125,510	131,820
Steel Production (Tons)	2,117,314	2,210,000

this time. One is that most consumer-goods industries will benefit from higher manufacturing activity. The other is that with defense production at a peak in the earlier part of next year, earnings for many individual companies in the heavy manufacturing industries will reach higher levels in the fourth quarter of this year and the first quarter of next than was true a few months ago.

Specific Industrial Conditions

In the following, we present for the benefit of investors who desire to follow industrial trends a concise report on present and immediately prospective conditions in some of the leading industries:

Steel. Production is scheduled for the next few months at about the record annual rate of 116 million tons. Steel-consuming industries have recently become voracious in their demand for the metal, such items as refrigerators, dish-washing machines, freezing units, air-conditioning units and TV sets coming off the assembly lines in increasing volume. With prices stable, indications are that the higher volume of production and sales in sight for the next few months will produce a wider margin of profit for most companies.

Electrical. With markets for appliances in generally better shape, owing to successful liquidation of inventories during the long down-slide from mid-summer 1951 to Spring of 1952, the outlook for sales has improved for the next few months. Percentage increases in production and sales expected are as follows for various important items: 5%, household refrigerators, 60% room air-conditioners, 3% incandescent lamps, and 10% fluorescent lamps. TV production may be 5% above last year, when it was 5 million sets. On the other hand, the outlook for radio sets is still unsatisfactory, and it is generally expected that production in this field may be off 25% from 1952. Very favorable prospects exist in the field of military electronics which is commencing to assume very large proportions. Thus almost $4 billion in these items is expected to be produced next year against $2.1 billion in 1952. Production of heavy equipment such as turbines etc. will be very heavy in accordance with the high rate of public utility expansion. Earnings generally should be higher in the period directly ahead.

Construction. The construction industries, which embrace a vast complex from building and electrical utility to highway and pipelines, may hit a new peak of close to $32 billion in 1953, compared with $31 billion in 1952. Most of the increase, it is estimated, may come from public building with possibly a slight decline in residential building in sight. Highway construction should be in the neighborhood of $5.5 billion, giving such *(Please turn to page 262)*

Production Changes by Industries

Seasonally Adjusted (Federal Reserve Board Index)

	1952 Sept.	1952 Aug.	1951 Sept.
Industrial Production, total	*225	214	218
Manufactures, total	235	224	228
Durable	*285	266	271
Non-durable	*194	191	192
Minerals	*174	157	167
Major consumer durables, total	*122	84	107
Passenger cars	*125	63	115
MANUFACTURES			
Iron and steel	*266	241	258
Pig iron	242	221	231
Steel	319	283	298
Machinery	*352	337	336
Transportation equipment	*336	298	311
Automobiles (including parts)	*226	173	226
Non-ferrous metals and products	*221	212	196
Smelting and refining	*248	251	214
Fabricating	*210	196	190
Lumber and products	*152	148	146
Lumber	*138	135	135
Stone, clay and glass products	*224	222	228
Textiles and products	*174	170	163
Cotton consumption	145	143	142
Rayon deliveries	378	370	334
Manufactured food products	*164	162	167
Wheat flour	*110	109	107
Meat packing	*170	158	168
Other manufactured goods	*170	169	176
Processed fruits and vegetables	*132	123	152
Paper and products	*194	188	197
Printing and publishing	*169	165	179
Petroleum and coal products	*282	279	266
Gasoline	*233	231	214
Fuel oil	*234	253	213
Chemicals	*308	303	301
Paints	*152	155	158
Rayon	370	354	358
Industrial chemicals	*581	569	560
Rubber products	*254	243	245
MINERALS			
Fuels	*178	161	172
Coal	133	93	125
Bituminous coal	144	102	137
Anthracite	88	61	79
Crude petroleum	*201	194	195
Metals	*152	132	137

Output of Household Goods

(1947-49 = 100)

Total	*119	107	89
Furniture	*111	110	97
Major appliances	*93	94	86
Cooking stoves, total	n.a.	75	79
Freezers	202	158	166
Refrigerators, total	n.a.	75	69
Vacuum cleaners	86	94	74
Radios and television	205	141	95
Radios, total	40	32	49
Television, total	543	366	190

*—Preliminary. n.a.—Not available.

THE CHANGE-OVER

By "VERITAS"

BACKGROUND as a five-star general accustomed to giving orders and having them obeyed without question may prove a drawback to the incoming President. The situation marks a switch from the Truman method which spread authority and responsibility, much of it among cronies brought into government. But the method is not unlike that which was used by FDR with success, if success can be measured in terms of four-times election. Major point of difference is that Mr. Roosevelt had very considerable experience in civilian government. Ike has none.

> **WASHINGTON SEES:**
>
> Adlai Stevenson looms larger in defeat than many other White House aspirants have registered in success—the benefit of the public considered. As the nominee of the losing party he is the titular head of an opposition and with a hair-line division of congressional control he can—and it appears to be his intention to be—the mouthpiece of a loyal, friendly opposition. That doesn't mean straight-away acquiesence. And it doesn't mean politics as usual and a public-be-damned policy.
>
> In this respect, the incoming President gets off to a good start. Stevenson has proved himself to be a good loser. There is suggestion that he retain the public ear as a radio commentator and he may decide to do so. But there is comforting knowledge to be drawn from the campaign that Adlai will not stoop to the level of common scold. He would not do so to win the Presidency and President-elect Eisenhower came out of the vote drive with a profound respect for his rival who at no time was his enemy.
>
> The professionals in the republican party were disturbed when Wendell Willkie accepted a nomination from the man who defeated him for the White House berth and took a global trip. There was mutual respect between FDR and Willkie, despite their election fight. Stevenson has not been too interested in winning the top job and could, it is believed, be persuaded to serve in some distinguished job under his former foe.

BALANCING the new President's lack of experience in civilian government, is an obvious willingness to accept the counsel of those who have. The Ike enthusiasts include men on the state level, such as Governor Dewey; men on the congressional level represented in personages of the Senator Lodge type; and former President Herbert C. Hoover. Senator Taft went down the campaign line for General Eisenhower but his associates say he's deeply disappointed that the nomination plum didn't drop into his lap in the year of assured victory.

TIMING will be the essence of success or failure when the new regime takes over in January. Much more will be expected of the Eisenhower administration that it is humanly possible to deliver and practical politics will dictate fast action as a placating gesture. That means the new President must select appointees ready to run onto the political field with little "warming up." Under secretaries, who represent most of government operation, will be quitting by the dozens and the first job of Eisenhower will be to keep the ship of state from listing.

TRADITION has it that the first 100 days of an incoming administration determines its place in history. When FDR succeeded Mr. Hoover he recognized this truism to the point that established a new record for speedy action—witness the bank holiday within a matter of minutes after the inauguration. It isn't expected that General Ike will pull anything out of the hat quite that dramatic but it is a certainty that he must act with dispatch on implementing the changeover, or fumble. However, indications are that there are not going to be many fumbles. Already the president-designate, in appointing three top men to the posts, respectively, of State, Defense and the Interior, has shown that he is capable of decisive action.

As We Go To Press

Ike Eisenhower came, saw, and conquered Washington only a matter of days ago when an estimated 1 million persons turned out to welcome the President-elect. About one of each four was a government employee, creating a situation familiar to the general who has made a profession of liberating people. Many of them will be liberated from the federal payroll in the next few months. But the number of divorcements from the public till will not come up to general expectations and that points up one of General Eisenhower's principal problems.

The incoming Chief Executive will be hobbled by Civil Service regulations which throw a protective cloak over many jobs. They cannot be fired unless "for cause' and the fact that their sponsorship was an opposite political party is not regarded sufficient cause. Of course jobs can be abolished and the payroll cut in that manner. If such a thing were to happen it would be one of history's "firsts." Franklin D. Roosevelt was elected on a platform that included a pledge to cut the government payroll. It multiplied under his administration, reaching heights never imagined theretofore.

Experience has taught that when a party comes back into power after many lean years (the democrats in 1933, and the republicans in 1953) there are many of the "faithful" pawing impatiently for a share of the fruits of victory. On the top level there are ambassadorships to be awarded but they are few in number and usually can be accepted only by persons who can spend more than they are paid -- it's estimated such a job costs the holder twice the salary and expense allowances fixed by the government.

The State Department will be fine tooth-combed for spots that can be eliminated. Here, the new President will find that while personnel has increased approximately five-fold in the past quarter century the growth has been due more to creation of new functions than the oft-repeated "duplication." That there are about 30,000 payrollers today in the State Department may give would-be economizers drool in anticipation. When they get down to hard facts they'll be faced with decision whether to abolish the "Voice of America," cut embassy and legation staffs, retire from UN, abandon "Point 4" -- or what!

The military establishment and the Post Office Department can be grouped under a general heading of fixed charges -- the former by the necessities of the day as agreed by both sides of the congressional aisle, and the latter by experience as, for example, when reduction of mail deliveries started a minor rebellion. The usual campaign pledge that economy would be brought about by increased efficiency was bandied about but not even the calmer non-campaign proposals of the Hoover Commission appear to have had any substantial effect.

It's a long-range prediction and possibly a reckless one, but there are people in the Capital who think one of General Eisenhower's pillars of strength will prove to be Harry S. Truman. The President does not plan to leave Washington; he'll maintain an apartment at a hotel here, later buy or build in historic Georgetown. He likes Washington and the political whirl, doesn't want to retreat from it too rapidly. Margaret Truman has made it clear that she'll stay here and that about clinches it.

The important thing from the incoming President's standpoint is that Mr. Truman views him as a man coming into a job of tremendous responsibility and needing help. HST had that experience. Following a brief, unimpressive flurry of

intended effort at expressing complete self-confidence after his late afternoon catapault into the Presidency, Mr. Truman confessed the magnitude of the job frightened him, asked for public aid and understanding. His initiation of the conferences here with his successor shows that he is anxious to do likewise by Ike.

While it is not at all certain that substantial reduction of federal expenditures and taxes can be accomplished, the new President will have willing hands to assist him in that endeavor, willing shoulders to sustain the blame if it isn't accomplished. Senator Robert A. Taft has said it can be done -- a signal to the republican membership in congress to see that it is brought about; Senator Harry F. Byrd agrees, and that's a tipoff to dissident democrats to get in line.

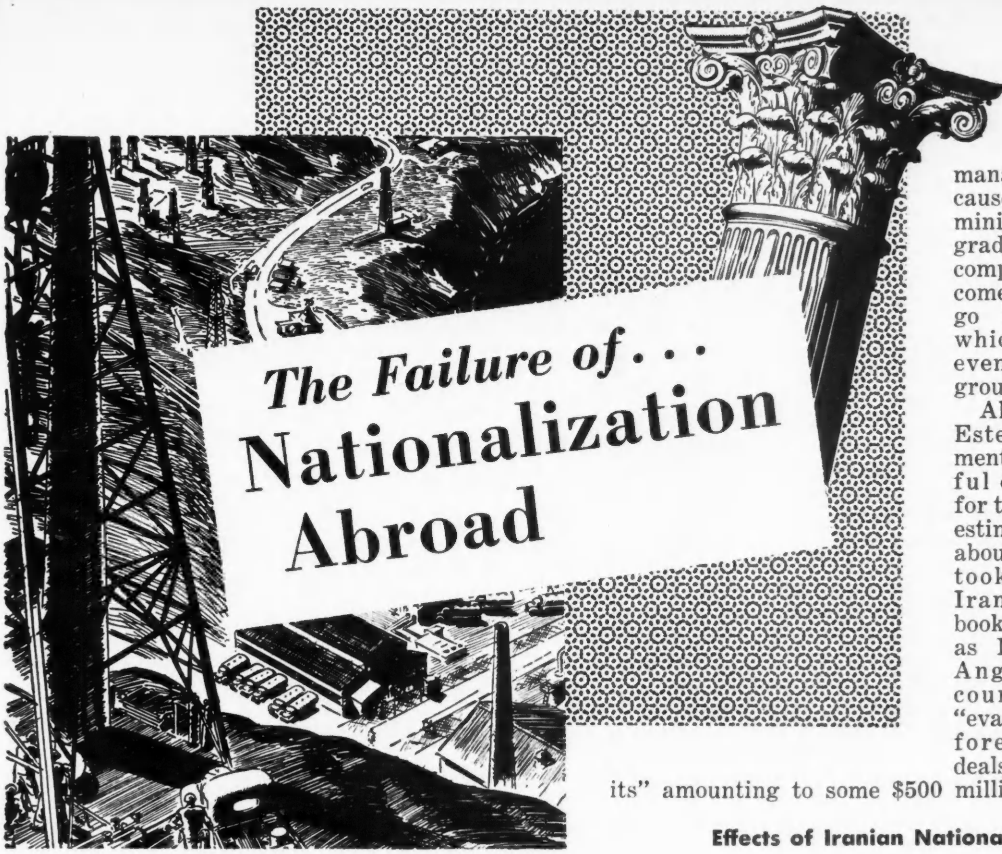
As heretofore suggested the difficulty in cutting costs, reducing taxes, comes on the issue whether the new Administration is willing to lop off entire projects or -- which has substantially the same effect -- cut them to the core. Military agencies and the supporting foreign-aid programs are near and dear to the heart of the new President. Unless deep cuts are made there, the likelihood of economizing seems not bright. Essentially a military man and internationalist, Eisenhower's willingness to apply the pruning knife in these areas may provide the key to his entire administrative outlook.

The charge which was levelled against FDR that he "had never met a payroll" can be placed against Dwight Eisenhower with equal validity and with the same political effect -- none. Many Presidents of the United States were not large-scale employers. To Ike's credit it must be added that he made no pretense of being an economist or fiscal thought giant. However his conduct during the campaign, his willingness to accept advice from the known experts -- even seek it -- gives rise to encouragement.

Until the new President presents his first economic message to congress it will be impossible to obtain a concrete analysis of his views. However, throughout the campaign, it was clear that he is not of the "flaming liberal" school of thought which sees an inexhaustible Treasury as the bulwark against depression, recession, or the necessity of going to work. In fact, his feelings along that line may cause him some Capitol Hill trouble. His much-quoted comment that food and shelter can be obtained by going to jail will be resurrected to haunt him although it was incidental to a miner point in a speech and not intended to speak a basic philosophy.

It would be quite unfair to suggest that Ike is a babe in the woods on economic matters. He has had a hand in framing the largest federal expenditures of the past decade and has had to justify them before his superiors in the Pentagon Building and, in a few instances, before congress. An intimate, discussing General Eisenhower's economic thinking described him as "a cross between the NAM and the CED (Committee for Economic Development." That appears to place him in the middle of the road, ready to follow either path.

Price Stabilizer Tighe E. Woods has announced early suspension of controls on apparel and wholesale pork, in deference to the fact that many of these items are selling under ceiling levels. These suspension activities have been expected for some time and mark the first opening steps in the general area of ending price controls, as a whole. On April 30, such controls will end and Price Stabilizer Woods has asked that controls be continued in materials in short supply, and in general seems to support the theory that it is too early to set the country afloat without secure anchors to definite control legislation. Other officials are lukewarm about continuing controls but think that there should be some sort of stand-by legislation to provide for any contingency should such occur as a result of a war threat or similar catastrophe. A great deal of lively discussion on this point may be expected when the new Congress convenes in January. What will actually happen no one can foretell.



The Failure of . . . Nationalization Abroad

—A Lesson to the U.S.A.

By V. L. HOROTH

Failing to profit by the object lesson of Iran where the economic situation is visibly deteriorating as a result of the shortsighted decision in 1951 to nationalize the oil industry and prospects of a communist putsch are increasing almost daily, another free nation recently placed itself deliberately in economic jeopardy through nationalization. The Bolivian Government of Victor Paz Estenssoro, which came into power in April following a bloody revolution, announced early this month its decision to go through with the nationalization of the country's tin mines. The Bolivian tin mines supply only about 20 per cent of the world total, but it could play a vital role in the United States defense plans, if supplies from Indonesia, Malaya, and Siam should be cut off as a result of communist aggression in Southeastern Asia.

The nationalization involves three groups: The Patino, Hochschild, and Aramayo interests, which contribute roughly 40, 35, and 6 per cent respectively of Bolivian tin exports. Only Patino involves U. S. interests which hold about one-fourth of the stock. Hochschild is Chilean-Argentine controlled, and Aramayo has Bolivian and Swiss capital. The Bolivian mines, which are far inland and at altitudes often above 12,000 feet, are high-cost producers and have been losing ground in world markets. Those who know Bolivia expect a complete breakdown of operations because of lack of discipline and competent management or because of "gutting"—mining of the higher grade ores only. If a complete breakdown comes, Bolivia may go into a tailspin which could bring even more radical groups to the fore.

Although the Paz Estenssoro Government promised "lawful compensation" for the tin properties, estimated to be worth about $60 million, it took a leaf from Iran's Mossadegh's book and presented—as Iran did to the Anglo-Iranians —counterclaims for "evaded taxes, illegal foreign exchange deals, and past profits" amounting to some $500 million.

Effects of Iranian Nationalization

Meanwhile, the Reconstruction Finance Corporation is reported to be holding off a long-term contract for Bolivian tin, awaiting a settlement with the companies. Although some tin could probably be sold behind the Iron Curtain, by nationalizing without adequate compensation Bolivia is running a chance of losing her regular markets, very much as happened to Iran. In the latter case, the free world by this time has more than made up the loss of the 700,000 barrel daily production of south-Persian oilfields by stepping up output in virtually every country around the world.

Except for aviation gasoline, there is actually an oversupply of petroleum products in world markets. Anglo-Iranian has issued a warning that it will take legal action against any concern or individual buying the Iranian product. As for tin, annual world output is currently 30,000 tons ahead of world consumption. This is almost precisely the Bolivian tin output which was 34,000 tons a year through last May. It will not be difficult for traders to pass up Bolivia's product.

Iran's inability to sell any oil in the world market has had disastrous effects on the country's economy. Some 60,000 Iranians are without jobs and the national treasury—which counted on the oil industry for more than one-third of its revenues is empty. Salaries of government workers and of the Army are from one to three months behind. The national loan was a fiasco, and foreign exchange resources, including the funds deposited with the International Monetary Fund, have been spent. The currency, the rial, which was around 40 to the dollar at the time of the nationalization, was quoted at 75 rials to the

dollar in October. Observers in Teheran are of the opinion that unless something is done, and the country is able to import and to stop the slow but steady rise in prices, the communists will take over within one year without any opposition whatsoever. It is said that the Army is no longer loyal to the Shah, and the peasantry is restless despite recent measures to divide the land and reduce taxes.

Reaction Against Colonialism

Failure to settle the oil nationalization question in Iran and now a case of nationalization in, so to speak, our own backyard in the Western Hemisphere, puts the creditor countries of the free world in a difficult position. On one hand, nationaliaztion in a country like Boliiva which possesses only inferior skills must of necessity lead to chaos and economic disaster from which only Moscow can profit. On the other, if countries can unilaterally repeal and destroy agreements without being called to account for their actions, the basis for international trust and investment will have been destroyed, and the movement may spread far and wide. Moreover, what about the American investor? What will be the repercussions on his attitude, particularly at this time when he is being asked to expand his investments abroad in order to help with the balancing of the dollar gap of the rest of the free world with the United States?

The nationalizing-expropriating that we are now witnessing reflects primarily a great surge of new and highly-conscious nationalism throughout the Middle East, South Asia, and parts of Latin America. It is a reaction against colonialism, and as such carries a great deal of xenophobia and also hostility toward the capitalist system which it blames, justifiably or otherwise, for political, racial, and economic discrimination. As a writer from Teheran said, "Premier Mossadegh's version of past history is almost as full of capitalists ghosts and goblins as the version that is peddled by Moscow". However, even Mossadegh is a moderate compared with such extremists as the terroristic Fadayan Islam which places the responsibility for the dismal poverty of most of the Iranians, not on the feudal upper classes, but on "exploiting" foreigners.

In Bolivia the M.N.R. (National Revolutionary Movement) Party which is now in the saddle and responsible for the nationalization, is a typical Latin American nationalist party, much of its program deriving from the socialists, the fascists, the falangists, and even the communists. The manifesto of the M.N.R. is no worse a jumble of confused ideas than is, for example, Argentine peronism, another strictly Latin American product. Like Peron, Paz Estenssoro leans heavily for his support on factory and railway workers and the miners. The "roscas", members of the former ruling class—a thin layer of landowners and high army officers, have been dispersed. The workers have been issued arms and the army, which more or less dissolved itself, is being reorganized with officers from the working classes. The M.N.R. revolution, like that of Peron or of Arbenz in Guatemala, has been no mere exchange of one army clique for another. A different class group is now in power, and the danger is that the Paz Estenssoro Government may give way even to a more radical element, based on the communist-influenced miner unions which are represented in the present government by one Juan Lechin, the Minister of Mines.

The Bolivians so far have not acted much differently than the Mexicans who in 1938 propriated American petroleum properties. Peron, too, is an old hand at nationalizing. Argentine railways, communications, public utilities have all been nationalized as part of the program of "argentinization". But the properties were paid for. The Argentina petroleum industry has been operated as a national monopoly from almost its very start.

Possibility of More Nationalization

Nationalizing in Latin America, the Near East, and other "new" countries, in contrast to nationalization in Europe, stems largely from a nationalistic urge to get free from external controls and pressures which, though most of the time imagined as "foreign imperialism" or "foreign monopoly", nevertheless play an important role in local politics. For this reason this type of nationalization is likely to continue.

In the Middle East, for example, *Egypt* is said to be preparing for nationalization of its rather limited petroleum resources. In *Iraq* the Government has already used the threat of nationalization of oil to obtain higher royalties from its foreign concessionaires. The object was to get more money to carry out a long-range development of the country. The fabulously wealthy King *Ibn Saud* and the Sheikh of *Kuwait* also may rattle "the nationalization boogey" when they learn how to spend their wealth. Farther East, India has played with the idea of

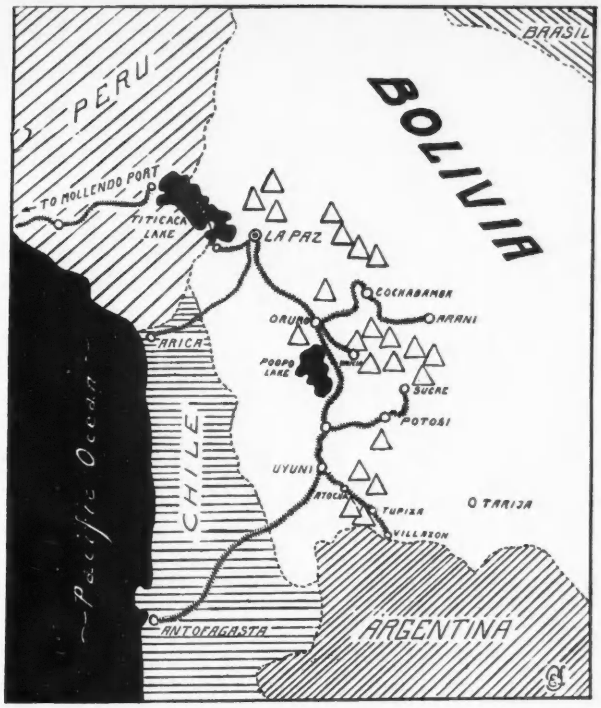
Bolivia: Economic Indicators and a Short Survey

YEAR	Free Rate Bolivianos per $	Foreign Assets (mil. $)	Foreign Trade (000,000 $) Exports	Imports	Tin Shipments (000 t.)	Money Supply (Mil. Bol.)	Cost of Living '37 = 100	Price of tin ¢ per lb.
1937	20	7	35	21	25	392	100	.54
1939	41	6	39	19	27	584	180	.50
1946	60	36	74	51	38	2,539	546	.55
1947	66	33	81	60	33	2,688	633	.78
1948	89	34	113	69	37	3,475	667	.99
1949	114	30	103	78	34	4,083	733	.99
1950	100	36	94	56	31	5,383	933	.96
1951	190	40	151	79	33	6,633	1,260	1.28(c
1952	260(a)	43(b)			33(d)	6,871(b)	1,353(a)	1.21

(a)—end of September.
(b)—end of April.
(c)—peel $1.83 per lb. in February, 1951.
(d)—annual rate through May, 1952.

nationalizing some of her industries—steel, for example—but, for the time being at least, has dropped it. In *Burma* and *Indonesia* the chief pressure on petroleum companies up to now has been for increased royalties, but some of the local ultra-nationalist parties are against the exploitation of their oil by foreigners.

In *Latin America* most of the foreign companies that have a dominant control are in danger of being nationalized. In *Chile* the exploitation of nitrate is already a national monopoly leased to private companies. The big copper companies in Chile are not in immediate danger but there are many admirers of peronism in the political entourage of the new President, Sr. Ibanez, and Washington's reactions to the Bolivian nationalization are watched carefully in Santiago. However, the Chileans are smart. They made a poor job of running their own copper companies. Besides, they know that they could never raise the capital necessary for expanding and streamlining their copper production, the way the American companies have done since Korea. They do not see in nationalization a cure-all for their ills, arising from the years of misgovernment, as the Bolivians do. In *Guatemala* the present socialist government would probably have nationalized the United Fruit Company a long time ago if it were not for the problem of banana marketing. In *Brazil* the development of petroleum and other mineral resources is being held up by the exclusion of foreign capital. In both *Chile* and *Peru* oil development is reserved to government companies and native capital.



TIN MINES LOCATED IN BOLIVIA

Effect on American Investment

It is unlikely that Bolivian nationalization will end the outflow of American capital to Latin America any more than did the expropriation of American oil companies in Mexico in 1938. Today more American capital is invested in Mexico than ever before, but it is also cooperating and participating with Mexican investors more than before.

Even Bolivia may be a safe place for investment in the future, depending, of course, upon the enterprise. Apparently there will be certain segments which the individual Latin American republics will set aside for themselves: bus transportation, petroleum development, and mining in some countries.

Many Latin American Republics are on the verge of political and social upheaval—a shift of the balance of power from one group to another. These upheavals may be speeded up by business recessions or price declines in principal export commodities—changes which would demand drastic deflation (as in Brazil) or a re-orientation of present lop-sided policies favoring indiscriminate industrialization.

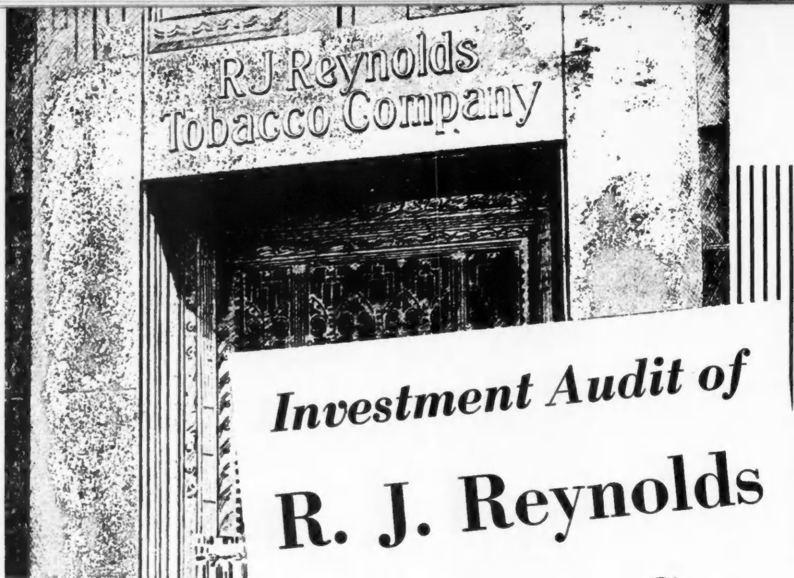
* * *

Since this is primarily an article on the lessons of nationalization abroad, something ought to be said about the state of nationalized industries in Europe and Mexico. Suffice it to say that the public ownership of industry, banks, communications, and public utilities in Western Europe is a sad flop which has contributed materially to the retreat of socialism practically everywhere. The arguments which were usually advanced in favor of nationaliaztion, such as that the workers would work harder for the community than for the "wicked" employer, or that there would be fewer strikes, less absenteeism, and a general improvement in productivity, have all been exploded. As Mr. Geoffrey Growther, editor of the London Economist, put it a few years ago: "It was all bukum. Keen eyes have thought they detected, in the first weeks of a new nationalization a greater willingness on the part of the employees. But if so, it has not lasted beyond the customary length of a honeymoon, nor has it been large enough to register in any of the statistics."

In British coal mines, for example, absenteeism has been greater and disputes as frequent as under private enterprise. Another of the traditional arguments in favor of nationalization, that management would improve if the company was no longer managed by *those who by chance are its owners, but by deliberatedly selected best men,* has also been disproved. The men who direct nationalized industries in Great Britain as in France, have been of definitely lower caliber than those who worked for the private industry—largely because of political log-rolling. In France, the nationalized aircraft industry employed communists not only in individual factories, but also as top administrators.

Magic of Nationalization Fades

In France, Great Britain, Sweden, and other countries which tried nationalization, the magic of public ownership has long faded. It has faded because the nationalized industries have piled up one deficit after another. Nationalized industries are generally high cost producers and as a rule the most inflexible in adjusting to outside influences. Even the unions are disappointed with the results of nationalization, and at the last Labor Party Congress in Margate, nationaliza- (*Please turn to page* 264)



Investment Audit of R. J. Reynolds Tobacco Co.

By HENRY L. BLACKBURN

In common with other major cigarette producers, the R. J. Reynolds Tobacco Co., has only recently begun to recover from a period of prosperity which all but ruined the industry. How could rapidly rising demand for a product imperil a manufacturer's profits? A clear understanding of the industry's method of operations is essential to appreciate the answer to this question. Probably in no other industry would such serious financial problems be posed by an upsurge in consumer sales. All indications suggest, however, that a distinct turn for the better has been reached and that a promising improvement in earnings is in store for 1953.

In appraising the prospect for Reynolds, it will be necessary to study conditions affecting the industry and to examine Reynolds' competitive position. It should be said in this connection that certain vital production statistics are confidential and that comparisons of sales of leading cigarette brands are based on trade estimates which are not necessarily accurate. All leading cigarette companies are wary about giving information on the breakdown of sales among the several products manufactured. Guesses therefore must be based on informal surveys of dealers in various parts of the country.

Effective Promotion Program

In weighing numerous factors which must be taken into account in evaluating tobacco stocks one is impressed with the favorable position of Reynolds. Some of these points may be mentioned here and examined in greater detail later. In the first place, it seems apparent that Reynolds has done an excellent promotion job in holding its proportionate share of the national cigarette market in the face of a rapidly rising demand for extra-long, or king-size, brands. Judged by trade estimates, sales of Reynolds' "Camel" brand have increased almost as much as the average for the industry, whereas consumption of several other popular regular sized brands has fallen in relation to the industry as a whole. Another significant factor is the benefit that appears to lie in store for Reynolds when excess profits taxes are dropped, for this company has felt the impact much more seriously than its principal competitors.

Before studying the importance of brand preferences and the importance of promotional costs, it may be well to see how cigarette manufacturing differs from other industries. Processing is fairly simple, but the raw material – leaf tobacco – must be stored for a period of eighteen months or longer for aging before being manufactured into cigarettes. The leaf tobacco purchased this fall, for example, cannot be used before the spring of 1954. Vast storage sheds must be provided to care for prospective 1954 requirements. Moreover, large sums must be provided to finance requirements for two or three years' production. Storage costs, insurance and handling charges all must be cared for before raw materials can begin to move into consumption channels. As cigarettes are manufactured and packaged, the necessary excise tax stamps must be affixed. These are purchased (at 8 cents a pack of twenty cigarettes) from the Treasury Department. Millions of dollars must be invested in excise tax stamps while cigarettes are being distributed–first to the wholesaler and then to the retailer–before taxes are recouped. It is apparent then that costs can rise rapidly when a manufacturer is compelled to boost his requirements of leaf inventories as well as when excise taxes are raised.

Financing Tobacco Inventories

This condition explains in part the problems encountered during the war and immediately thereafter when consumption of cigarettes rose rapidly. During the war, of course, the Armed Forces had first call on output, much of which was shipped overseas. Manufacturers were unable to benefit to the fullest extent on the boom in civilian sales. Moreover, profit margins on government business were smaller than those obtainable in regular distribution channels. As manufacturers endeavored to supply the greatly enlarged postwar market it was necessary to expand inventories of leaf tobacco at an

unprecedented rate. Larger and larger quantities had to be put in storage each year in preparation for the anticipated jump in sales two or three years in the future.

To finance purchases involved serious banking problems. Moreover, the greatly increased demand at home as well as abroad boosted prices of tobacco to record heights. Inventory risk naturally increased. Manufacturers were compelled to raise funds through short term credits as well as by means of issuance of additional bonds and stocks. All these abnormal developments created disturbing influences in investment markets which had an adverse effect on sentiment toward tobacco stocks.

STATEMENT FOR THE MAGAZINE OF WALL STREET

By John C. Whitaker, Chairman, R. J. Reynolds Tobacco Company

"Sales of both Camel Cigarettes and Cavalier Cigarettes have reached new peaks so far this year. Dollar sales for 1952 should be materially higher than sales for 1951, which were the highest in the Company's history.

"While for the three quarters that have elapsed so far this year, earnings before taxes on income were appreciably greater than for the similar period last year, increased taxes were such that estimated net earnings for the nine months' period were only very slightly better than a year ago.

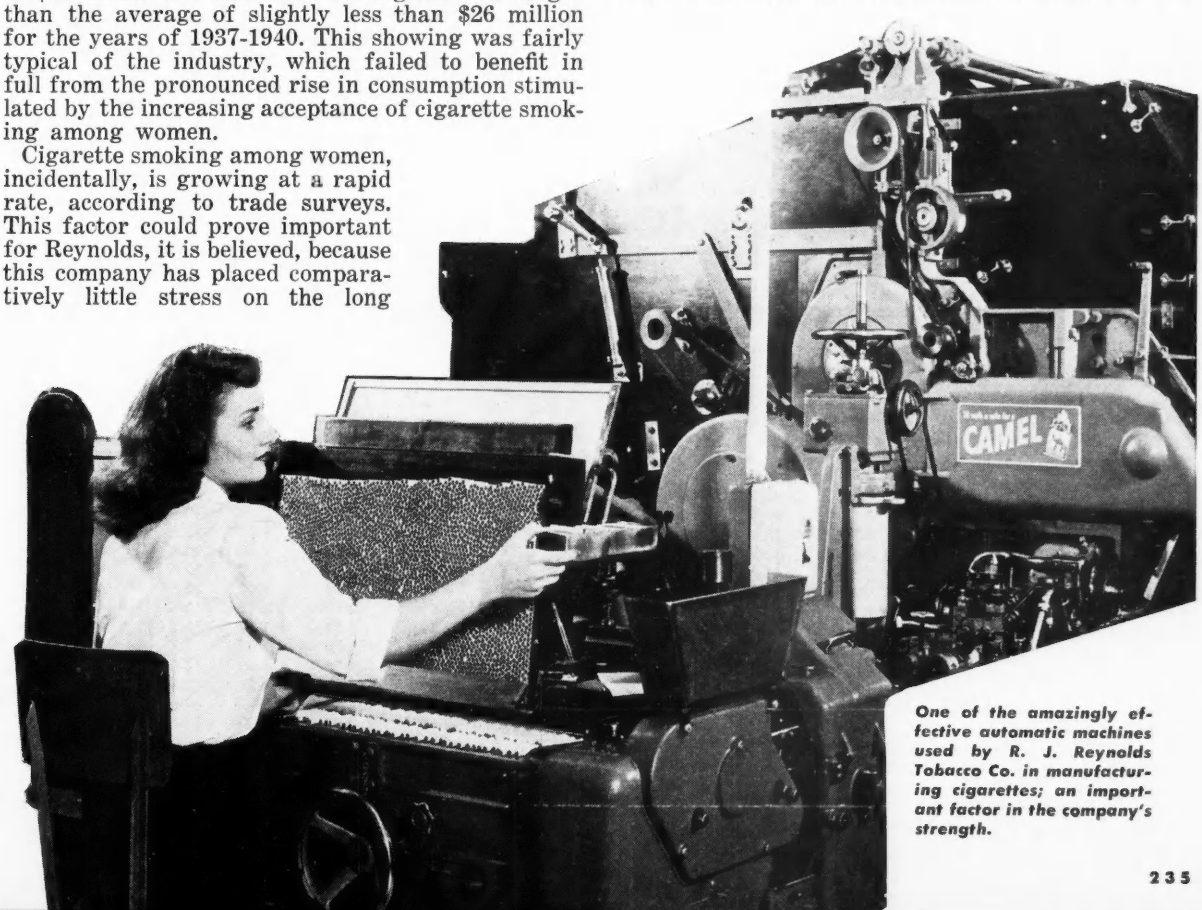
"We are hopeful that 1953 will bring about a reduction in taxation, particularly through the ending of the tax on so-called 'excess profits'. Any tax which penalizes the efficient and aggressive producer, as does the excess profits tax, is not only inequitable but also impedes the expansion and development of the national economy."

Sales vs. Net Income

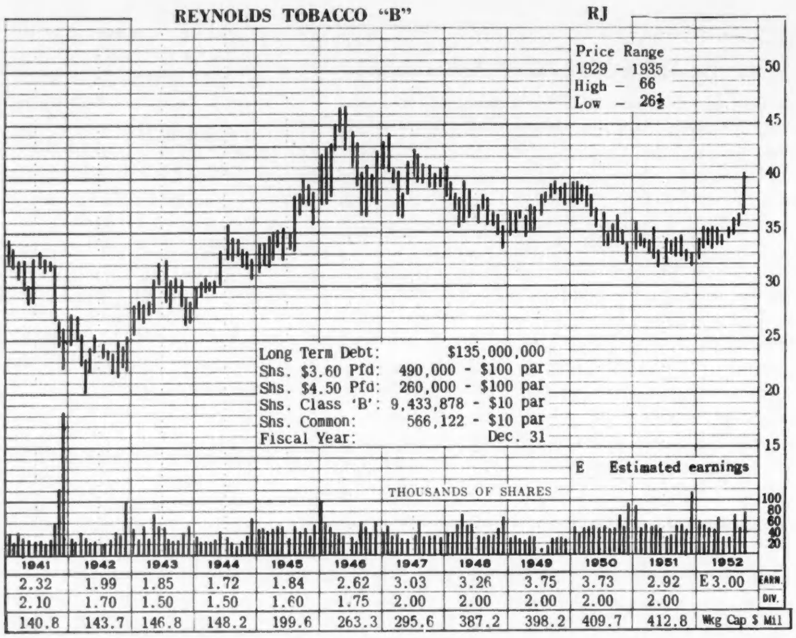
With this industry picture as a background, it may be well now to consider the Reynolds Company in particular. It may be observed that sales of $814.2 million for 1951 almost tripled the pre-war 1937-1940 average of about $288 million, while net income of $32 million for 1951 was not a great deal larger than the average of slightly less than $26 million for the years of 1937-1940. This showing was fairly typical of the industry, which failed to benefit in full from the pronounced rise in consumption stimulated by the increasing acceptance of cigarette smoking among women.

Cigarette smoking among women, incidentally, is growing at a rapid rate, according to trade surveys. This factor could prove important for Reynolds, it is believed, because this company has placed comparatively little stress on the long cigarette, which has proved especially popular with the fair sex. Thus, if Reynolds should decide to market a king-size "Camel" brand at a premium price, it is estimated that volume could be boosted impressively. Reynolds has an extra-long cigarette brand on the market in "Cavalier" but sales have not compared favorably with American Tobacco's two king-size brands — "Pall Mall' and "Herbert Tareyton."

Until the excess profits tax is removed, however, there would be little incentive for Reynolds to enlarge sales and pre-tax earnings. This levy already imposes too heavy a penalty on profits. In 1951, for example, income taxes took more than $60 million, or about $6 a share on the 10 million shares of common and "B" stock outstanding. Earnings before taxes amounted to $8.92 a share. On the basis of results thus far this year, it is estimated that excess profits taxes alone may approximate $10 million, or about $1 a share on the outstanding stock. Abandonment of this wartime levy would hold out hope of boosting earnings of Reynolds at least $1 a share annually. The benefit might be even greater if there were an



One of the amazingly effective automatic machines used by R. J. Reynolds Tobacco Co. in manufacturing cigarettes; an important factor in the company's strength.



incentive for management to expand sales

Possibility of introduction of a premium priced popular brand by Reynolds is suggested by the experience of Liggett & Myers with its king-size "Chesterfield." Sales of this brand since its introduction in two or three major metropolitan markets have far exceeded expectations, according to trade authorities. So far as can be determined, the extra-long cigarette has had little or no effect on volume of the regular size "Chesterfield." The premium price of one cent a pack has more than compensated for increased promotional expense, which was negligible, and any loss of volume that may have been experienced by the smaller pack.

Indications that the king-size "Chesterfield" opened new markets for Liggett & Myers are seen in the fact that growth in consumption of the longer brands has been most pronounced among women smokers. Rapid gains in sales of extra-long cigarettes directed attention to the promise of growth in this style. As an example, it is estimated that king-size cigarettes accounted for almost 12 per cent of 1951 sales, against only about 9 per cent in 1950 and a trifling total ten years ago. Expansion in this style has been far ahead of the industry's average year-to-year progress.

Potentialities for Increased Sales

Inasmuch as probably hardly more than one-third of the adult population among women use cigarettes, whereas it is estimated that almost three of every four men indulge in the habit, it would seem that growth potentialities among women are interesting from the manufacturer's viewpoint. The trend apparently now is toward increased emphasis on long cigarettes carrying a small price premium. If the price ceilings imposed by Congress should expire automatically at the end of April, as now seems likely, it would not be surprising if leading tobacco companies should raise king-size cigarettes more than regular brands. A premium of one-half to one cent a pack would seem logical since the extra-long model requires 21 per cent additional raw material and consumes additional packaging material.

There is little doubt in trade circles that moderately higher prices are in store as soon as price controls disappear, for profit margins have been narrowed by the increase in leaf costs as well as by higher marketing costs. Promotional expense generally is related to sales volume, but heavier dependence on television advertising points to the need for appropriation of increased sums for this medium. Slight declines in leaf tobacco this year, following the generally downtrend in agricultural commodities, have been helpful in lowering inventory costs.

With prospects pointing to gradual expansion in consumer demand at the *(Please turn to page 261)*

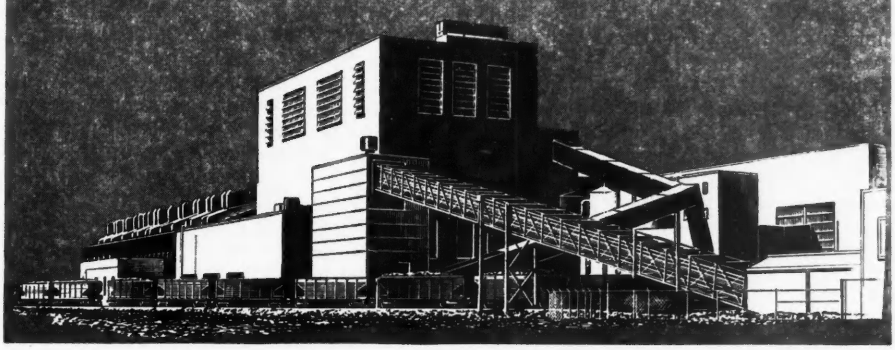
Long Term Operating and Earnings Record

	Net Sales* (Millions)	Operating Income (Millions)	Operating Margin %	Income Taxes (Millions)	Net Income (Millions)	Net Profit Margin %	Net Per Share	Div. Per Share†	Percent Earned on Invested Capital	Price Range†
1952 (First 6 mos.)	$424.0	$ 45.2[1]	10.6%[2]	$ 29.6	$15.5	n.a.	$ 1.41	$ 2.00[3]	......	40½-32⅛[4]
1951	814.2	96.8	22.2	60.0	32.1	7.3%	2.92	2.00	10.1%	36 -31¾
1950	759.8	81.9	20.2	37.7	40.2	9.9	3.73	2.00	13.1	39⅞-32
1949	746.3	73.8	18.8	28.4	40.4	10.3	3.75	2.00	14.0	39⅞-34⅜
1948	715.8	68.4	18.9	26.3	34.6	9.5	3.26	2.00	12.6	41¼-33⅛
1947	708.4	62.6	18.0	24.5	32.1	9.2	3.04	2.00	13.8	44⅛-36⅛
1946	613.1	53.3	18.4	21.3	27.9	9.6	2.62	1.75	12.6	46⅞-36¼
1945	430.9	37.8	17.1	14.8	19.6	8.9	1.85	1.60	9.2	40 -31⅜
1944	387.9	34.6	17.0	13.8	17.8	8.7	1.72	1.50	8.7	35⅞-28
1943	414.2	38.7	19.4	17.7	18.5	9.2	1.86	1.50	11.6	32¼-25¼
1942	369.2	46.1	26.6	23.8	19.8	11.4	1.99	1.70	12.7	27½-20
10 Year Average 1942-1951	$595.8	$ 59.4	19.6%	$ 26.8	$28.3	9.4%	$ 2.67	$ 1.80	11.8%	46⅞-20

*—Includes revenue stamp expenditure.
†—Class "B" stock.
1—Pre-tax income.
2—Pre-tax margin.
3—Full year.
4—To 11/10/1952.
n.a.—Not available.

★ ★ ★

Low-Priced Stocks ...*Headed*... for Higher Levels



By J. S. WILLIAMS

Recent market developments point to increasing interest in selected stocks selling within a $15 to $25 price range, with a few issues slightly below this price bracket also coming in for greater attention.

For the most part, stocks in this group have been by-passed by investors in the last few years in favor of issues representing companies that gained prominence because of their rapid and even unprecedented expansion. The reason for the recent turnabout in activity in the low-priced stocks is the growing realization that a number of these issues represent companies of substantial merit, and, at the same time, are undervalued.

Some are currently selling in the low-price range because they have been automatically reduced in price as a result of recent stock splitups. On the basis of earnings and dividend records, however, they continue to be quality issues just as they were before being splitup.

Others represent companies that have been going through various stages of development but have now reached the point where they have welded together efficient organizations, have a good foothold in their respective fields, and are showing increasing earning power. Aside from paying dividends that afford a comparatively liberal yield, many of them appear to possess satisfactory possibilities of price appreciation.

We have made a careful selection of 10 such companies, including several that have recently split their stocks and others which appear to have gone far in strengthening their positions, all of them apparently having adequate prospects for the period ahead. These are, however, not presented as being investments. All of them possess some degree of speculative flavor and should be viewed from this aspect. Our comments on these selections are set forth in the following:

American Airlines, Inc.

The company represents the nation's largest trunk airline. Its transcontinentail service, extending from New York, reaches both Los Angeles and San Francisco, touching a number of important cities enroute. Other routes making up its extensive network connect principal cities along the East Coast, from Boston to Richmond, with the area lying between the Miss. River and the Great Lakes.

With allowances made for unfavorable circumstances affecting all air lines in the early 30's and the handicaps imposed by World War II, American Airlines has moved forward during the last two decades. Its greatest growth, however, has taken place in the last four years as the public became more airminded, bringing about substantial increases in both passenger and freight revenue. Last year the company flew almost 25% of the total revenue passenger miles flown by all of the domestic trunk air lines and carried more passengers than any other trunk air line in this country or abroad. Total operating revenues in that year were $162.9 million and of this $142 million was derived from its passenger business. Net income for 1951 was equal to $1.42 a share. Although operating costs have risen, indications are that 1952 will show a further improvement in net earnings. In the first 9 months, revenues reached a record level of $138 million. Net for the common stock amounted to $1.35 a share, compared with $1.30 in the corresponding period of 1951, indicating full 1952 year's earnings at better than three times current annual dividend requirements.

Before the current year is out, the company expects to have in operation at least a few of the 25 60-passenger DC-7s on order with Douglas Aircraft, to be paid for largely out of the depreciation account that has been accumulating at a rate of $20 million a year.

Chicago Corporation

The company has about completed its transition from an investment trust to an operating company in the oil and gas business. It owns interests in extensive producing and potential oil and gas lands, chiefly in the Gulf Coast area, together with a 10% interest in 1.5 million acres of freehold and 6.8 million acres of government permit lands in Saskatchewan, Canada.

Motor fuel, kerosene, butane and related products account for about 60% of consolidated sales, followed by sales of gas, principally under contract to a Columbia Gas System subsidiary and the Tennessee Gas Transmission Corp. Net income from these sources has been improving steadily. For the 9 months to Sept. 30, last, earnings, exclusive of $390,658 profit on sale of security holdings and other special gains, amounted to $2.9 million, compared with $2.8 million in the like 1951 period, exclusive of $843,805 profit on security sales and special gains. In the earlier year total net income per share was equal to $1.04, compared with 93 cents reported for the first three-quarters of this year.

The outlook is for further gains as exploration work on the Gulf Coast properties continues to bring in additional producing oil and gas wells. The revision of the Tennessee Gas Transmission contract providing for a price increase effective next February will add an estimated $1.3 million to Chicago's gross annual revenues. As of Dec. 31, last, the company reported investments in other securities, advances, etc., totalling $8.1 million. In addition it had over $6 million in cash plus $5.2 million in receivables against total current liabilities of $7.1 million.

Columbia Gas System

The company, through its own subsidiaries and other public utilities sells natural gas to more than 2.5 million homes, businesses and industries in the mid-Appalachian area lying in the states of Ohio, Pennsylvania, West Virginia, New York, Virginia, Maryland, Kentucky and the District of Columbia.

Its history has been one of steady growth. Sales amounting to 170 billion cubic feet in 1944, have risen in each year to a record 412 billion cubic feet in 1951, with still higher sales for 1952, and an estimated delivery of over 566 billion cubic feet by 1956. This growth finds reflection in the expansion in gross revenues to $194.9 million for the 12 months to June 30, last, compared with $180.7 million in the like period of 1950-51. This uptrend in revenues, however, is not reflected by accompanying gains in net income, that for the June 30, 1952, 12 months amounting to 90 cents a share, compared with $1.25 in the previous year. The explanation is the increase in purchased gas, and higher labor and other costs, not yet compensated for by higher rates for which the operating subsidiaries have applied.

So far, increases aggregating about $2.5 million have been granted, most of which were in June of this year. Other tentative adjustments have resulted in collections of $5 million or more under bond, but applications for increases totaling more than $9 million have not been acted upon. Until rate adjustments are made, the company will continue to experience a squeeze on profits, but in the interim should be able to maintain earnings close to the 1952 figure and maintain dividends at the current rate. If the rate increases are granted, the effects on the stock would be beneficial.

Florida Power Corporation

This utility, operating in one of the most progressive southern states, supplies electricity to 700,000 in central Florida and along the west coast from the Georgia line to St. Petersburg. A wholly-owned subsidiary, Georgia Power & Light serves a population of about 250,000 in south Georgia. The corporation generates practically all of its power needs, the properties of both companies being operated as a single system.

The area is largely agricultural, along with lumbering, fishing, phosphate mining and the tourist trade. However, the region is steadily expanding industrially to an important degree. As evidence of the rapid growth, the company is engaged in a large expansion program to add 180,000 k w to capacity over the next several years. New plant and installation expenditures from 1945 to 1951 amounted to approximately $62.7 million. For 1952 alone, expansion costs will be stepped up to $28 million. In the same 6 year period operating revenues increased from $10.4 million to $24.4 million or 140%.

Included in financing the heavy cost of rapid expansion, the company has sold to stockholders over 660,000 shares of common stock in the years 1948-49 and 1952. This is an increase of 54% of the 1948 share capitalization. Much of this newly invested capital has not yet been reflected in earning power. This enlargement of stock has also tended to temporarily dilute per share earnings. Net income, trending upward with gross revenues, increased from $1.6 million to $2.5 million in the 1945-51 span. Earnings for this year is estimated at $1.65-$1.75 per share on the larger number of shares, compared with $1.29 in 1951.

Florida Power, basically, is a sound growing system. Its operations are largely immune to the business cycle. Providing a good yield, with possibilities of a near-term dividend-rate increase, the stock is one of the more attractive medium-grade utility equities.

International Tel. & Tel. Corp.

In the last 10 years I. T. & T., has undergone a change from largely an international company buffeted by political strife and other unsettling developments abroad to building up its manufacturing facilities at home, although not neglecting to develop its numerous manufacturing interests in countries outside the Iron Curtain. All of this has been accomplished with excellent results. In the last 5 years, total sales of its domestic manufacturing subsidiaries have more than doubled, increasing from $44 million to $90 million. Simultaneously, net income has mounted from a deficit of $222,068 in 1947 to a net profit of almost $18 million in 1951.

For the first time in 19 years, the company, in December, 1950, paid a dividend on its common stock. Since then it has maintained payments at an annual rate of 80 cents a share, a conservative distribution in the face of 1950 per share net of $2.27, followed in 1951 by earnings of $2.60 a share, and an indicated net of $2.75 for 1952. Several factors contribute to this showing.

In the United States, the continued expansion of manufacturing activities was marked by the acqui-

Ten Attractive Low-Priced Stocks

	Post-War Earnings Per Share						Dividends			Recent	Div.	Price Range
	1947	1948	1949	1950	1951	Est. 1952	1950	1951	Est. 1952	Price	Yield	1951-52
American Airlines	$(d).74	$(d).67	$ .89	$1.39	$1.42	$1.60	$ .25	$ .50	$ .50	13⅜	3.7%	17⅛-12¼
Chicago Corp.	.65	1.36	1.09	.95	1.07	1.40	.60	.60	.75	18⅝	4.0	21½-15¼
Columbia Gas System	1.36	1.04	.84	1.18	1.06	.90	.75	.90	.90	14	6.4	16⅜-12½
Florida Power Corp.	1.46	1.59	1.57	1.62	1.29	1.70	1.20	1.20	1.20	23¼	5.2	23⅜-17⅛
International Tel. & Tel.	.03	1.07	.72	2.27	2.60	2.75	......	.60[1]	.80	18⅛	4.4	19⅜-13⅛
Merck & Co.	1.77	1.22	.93	1.49	1.62	1.25	.76	.77	.80	25¼	3.1	39¾-20
Sunray Oil	1.56	3.62	2.81	2.13	2.23	2.30	1.00	1.15	1.50	19½	7.6	24⅝-17¼
Sutherland Paper	3.43	3.01	2.31	3.83	2.95	2.65	1.30	1.30	1.50	25	6.0	28½-21¾
U. S. Rubber	3.13	2.83	1.87	3.68	4.76	4.25	1.66	2.00	2.00	25½	7.8	28⅝-17
York Corp.	2.18	3.00	1.35	1.91	2.47	2.26[2]	.50	.87½	1.00	18	5.5	21⅜-11

(d)—Deficit. [1]—Plus stock. [2]—Actual.

sition in July of last year of the Coolerator Co., manufacturers of refrigerators and freezers, and, in August, of approximately 33% of the common and about 45% of the preferred stocks of the Kellogg Switchboard & Supply Co., which manufactures and handles telephone equipment and supplies. The latter acquisition was followed by all of the business and properties being acquired in March of this year. Improved economic conditions abroad have aided the company's foreign manufacturing companies in increasing both volume and profit, with remittances from these companies continue to steadily improve.

Through its scientific and research facilities, I. T. & T. has been one of the foremost developers of electronics and with promise of further progress in this field, together with continued expansion in present operations, the company appears to have good growth possibilities.

Merck & Company

This company, the principal producer of cortisone and an important manufacturer of vitamins and various antibiotics, is also one of the foremost producers of fine chemicals and drugs. Development of new products through research has resulted in substantial growth which should continue to find reflection in rising earnings and share value over the longer-range.

For the moment, however, this progress appears to have been stayed by overproduction by the industry of such antibiotics as penicillin and streptomycin as well as a price cut of 40% in cortisone due to competition and the company's own greater capacity. This is evident from the fact that sales for the first 9 months of this year of $78.4 million fell $11 million under the figure for the same period of 1951. Net per share for the 1952 period of 76 cents, compared with $1.17 a year ago, indicates full year earnings of about $1.25 a share, against $1.62 last year after adjustment for the 3-for-1 splitup in the latter part of 1951.

The company, continuing its broad research program, has recently perfected a process for making cortisone synthetically which will be available to it in the event that present raw materials become scarce or insufficient to meet increasing demand that is expected to develop over the years. Current earnings are more than adequate to cover indicated annual dividend needs of 80 cents a share, assuring maintenance of payments at this rate into 1953.

Sunray Oil Corporation

Through a series of acquisitions and mergers, Sunray Oil has rounded into an integrated petroleum producer and refiner, with a substantial output of natural gas. Producing properties are located mainly in California, Texas, Oklahoma, Kansas, Arkansas and Louisiana. It also holds widely diversified interests in Canada, and at the close of 1951, was participating in exploration and development work on approximately 6 million acres of oil and gas leases and drilling rights, its net interest being over 311 thousand acres of oil and gas leases and more than 1.1 million acres of crown drilling reservations.

Earnings have been consistently upward for some time, 1951 net being equal to $2.23 a share for the common stock. This is likely to be exceeded in 1952, as indicated by net per share in the 9 months to Sept. 30, last, of $1.73, compared with $1.65 a share in the like period of 1951, on slightly less stock outstanding.

The company's land acquisition program and exploration activity are being maintained on a high level. At the beginning of November, this year, it was drilling 28 wells and had an interest in 15 wells being drilled by others. In the Red Fish Bay field, Texas, Sunray has developed substantial reserves of natural gas and gas-distillates and sales of natural gas from this area are scheduled to start in December, this year, at favorable prices. Its long-term gas sales contracts covering substantial gas reserves in South and Gulf Coast Texas will carry a higher selling price based on an escalation clause which goes into effect in the first quarter of the coming year. The company, as of the close of 1951, disclosed a strong financial position. Ratio of current assets to current liabilities were better than three to one.

Sutherland Paper

One of the quality stocks of the paper group, this company has had a long record of consistent growth. In June, 1951, the stock was split 2 for 1, thus making it available to the investment public on a lower price level.

Sutherland manufactures cartons, paper-board and paper-board products, containers and other paper accessories. Approximately 65% of dollar sales consist of custom-built packages sold direct to industrial consumers, *(Please turn to page* 257)

Five Stocks With Record-Breaking Profits in 1952

By OUR STAFF

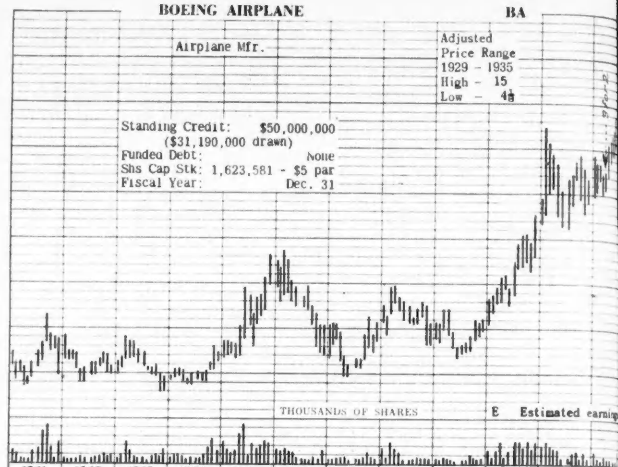
In view of the fact that most corporations, so far during the current year, have shown a decline in operations and earnings from 1951 levels, it is significant that there have been some companies which have moved contrary to the trend, and in some instances have broken previous records. Along with this group, comparatively small in number, there has been, of course, a slightly larger group which, while not producing any record breaking figures, has done fairly well and has maintained good average earnings. The companies that stand out, however, are those whose earnings, for one reason or another, reached record levels in the first nine months of the current year.

To bring our readers' attention to those companies which have been preeminently successful in 1952, we have made a special analysis of the earnings of those which have had a better-than-average record and from the list have selected five issues which have given the most outstanding performance as reflected in per share earnings.

Our criterion has been the earnings record of the companies over the last five years as that has been a significant period for practically all American business. The five companies we have selected are:

Boeing Airplane Co., whose 1952 record earnings stem from the tremendous volume of production as a result of the nation's effort to expand its air power and which is likely to keep the company at its current high level of operations possibly beyond 1954; Chicago, Rock Island & Pacific Ry., which as a result of reorganization appears to be demonstrating its inherent earning power; Cleveland Electric Illuminating, a highly efficient utility whose earnings should continue to grow; Household Finance Corp., one of the leaders in the essential small loan business that is showing continuous growth, and Imperial Oil, Ltd., Canada's leading oil company which is keeping pace with the development of that country.

In view of the consistent advance in earnings of these companies and considering the fact that their dividends are amply covered, we believe that it is only a question of time before dividends are increased and that these issues will prove satisfactory holdings for those who are looking for long-term capital gains.



1941	1942	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952
3.77	3.23	2.76	3.24	3.99	d.20	d.27	1.05	2.71	6.67	4.40	E7.00
-	.66⅔	1.33⅓	1.33⅓	.66⅔	.66⅔	.66⅔	.66⅔	1.33⅓	2.00	2.00	
12.1	19.4	19.4	27.5	45.6	43.6	39.3	38.2	40.2	45.9	45.8	Wkg Cap

BOEING AIRPLANE CO.

BUSINESS: Stands foremost in the development and production of military and commercial aircraft, specializing in the large bomber type of military ships and civilian stratocruisers. Is also now manufacturing the Boeing designed gas turbine for military applications but which has many other possible uses.

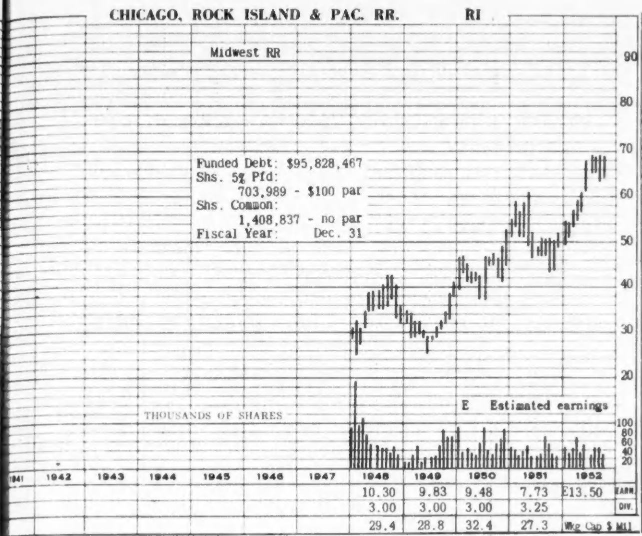
OUTLOOK: Showing progressively higher net income in each of the first three quarters of the current year, Boeing for the first 9 months, on sales and other income of $529.4 million, showed net of $10.1 million, the equivalent of $6.26 a share on its capital stock, compared with $2.50 a share in the same period of last year. Sales revenue and other income in the latter period amounted to $235.8 million which by comparison with results so far in 1952 indicate that the company, after much preliminary work on its B-47 Stratojets and other new military planes, has hit a production stride that promises to produce still greater earnings in the final quarter of this year, with the accelerated momentum extending well into 1953. As of Sept. 30, last, its backlog of orders, principally for the military stood at $1,464 million. A significant event in the company's history took place in April of this year with the initial flight of the prototype 8-jet, swept-wing, B-52 bomber, demonstrating this to be an outstanding new plane which should provide a substantial amount of additional business for several years to come. At the same time, additional orders have been received for the C-97 multipurpose cargo and tanker plane and present contracts call for increased production over the next several years. In addition to aircraft operations and the production of the Boeing gas turbine, the company is developing guided missles, civilian jet airliners, and under contract with the Air Force is studying the application of nuclear power plants to aircraft.

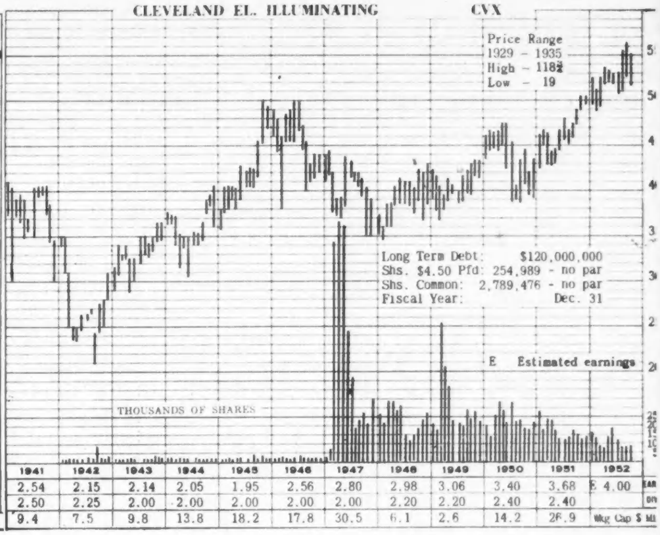
DIVIDENDS: Cash payments of $1.50 semi-annually paid in recent years. In May, 1952, paid 50% in stock. Recent $2 declaration indicates annual rate of $2.67 a share.

MARKET ACTION: Recent price of 36, compares with a 1951-52 price range (adjusted) of High—39, Low—26. At current price the yield is 7.4%.

COMPARATIVE BALANCE SHEET ITEMS

	December 31 1942	1951 (000 omitted)	Change
ASSETS			
Cash & Marketable Securities	$ 42,117	$ 21,901	—$ 20,216
Receivables, Net	23,122	33,957	+ 10,835
Costs chargeable to U. S.	47,589	86,793	+ 39,204
Inventories	4,594	6,315	+ 1,721
Prepayments	....	747	+ 747
TOTAL CURRENT ASSETS	117,422	149,713	+ 32,291
Net Property	5,301	11,526	+ 6,225
Investments	284	010	— 274
Other Assets	3,207	379	— 2,828
Emergency plant expend.	10,305	....	— 10,305
TOTAL ASSETS	$136,519	$161,628	+$ 25,109
LIABILITIES			
Notes & Accounts Payable	$ 16,567	$ 62,130	+$ 45,563
Accruals	7,060	17,331	+ 10,271
Income Tax Reserve	10,109	13,701	+ 3,592
Due U. S. Gov.		8,372	+ 8,372
Prov. for refunds	42,495	1,200	— 41,295
Other current liabilities	21,750	1,100	— 20,650
TOTAL CURRENT LIABILITIES	97,981	103,834	+ 5,853
Bank Loan—emerg. plant facil.	9,407	....	— 9,407
Reserves	7,810	....	— 7,810
Capital Stock	5,412	5,412	....
Surplus	15,909	52,382	+ 36,473
TOTAL LIABILITIES	$136,519	$161,628	+$ 25,109
WORKING CAPITAL	$ 19,441	$ 45,879	+$ 26,438
CURRENT RATIO	1.2	1.4	+ .2





THE CHICAGO, ROCK ISLAND & PACIFIC RY. CO.

BUSINESS: Directly operated lines of about 7,916 miles, comprise a system extending into or through 14 states west of Chicago, an area embracing the great winter wheat and grain belts, as well as important agricultural and industrial territories.

OUTLOOK: Reporting, after funds, net earnings of $8.62 a share for the common stock in the first 9 months of 1952, Rock Island is evidently well on its way to establishing another record year with common share earnings of between $13 and $14 a share likely. It is possible that this estimate could prove conservative. Since emerging from reorganization ,completed in the latter part of 1947, which gave this 100 year old road a new birth, yearly earnings have been in excess of $9 a share for the common stock with one exception, that being 1951, when devastating floods damaged its property to the extent of $4 million and deprived the company of $9.4 million in revenues. But, even so, earnings on the common stock in that year were equal to $7.73 a share. While higher freight rates, granted in May of this year will, it is estimated, add about $7.5 million to 1952 revenues, Rock Island's earning power is based on its substantial freight haulage made up of such diversified products as wheat, iron and steel, lumber, refined petroleum products, bituminous coal, corn and other agricultural products and a broad list of other items .Another important factor is the rehabilitation of the system and the dieselization of hauling equipment which by 1953 is expected to be fully dieselized. This development, along with other physical improvements, should pull operating ratio to below the 4-year average of 73.68, compared with an average of 77.35 for all Class I roads, over the same period. The company has no near-term debt maturity other than equipment trust obligations, coming due annually, which are about offset by depreciation allowances, and it is well situated as to working capital.

DIVIDENDS: Annual rate of $3 a share, inaugurated in 1948, was increased to $3.35 in 1951 and again increased to $4 for 1952.

MARKET ACTION: Recent price of 68, compares with a 1951-52 price rang e of High—69⅝, Low—43⅞. At current price the yield is 5.8%.

COMPARATIVE BALANCE SHEET ITEMS

	December 31 1948	1951	Change
		(000 omitted)	
ASSETS			
Cash & Marketable Securities	$ 50,459	$ 28,169	—$ 22,290
Receivables, Net	5,967	15,048	+ 9,081
Materials & Supplies	15,516	17,474	+ 1,958
Other Current Assets	3,377	6,480	+ 3,103
TOTAL CURRENT ASSETS	75,319	67,171	— 8,148
Road & Equipment	570,869	624,536	+ 53,667
Acquisition adjustment	(cr)115,603	(cr)117,465	+ 1,862
Accrued Deprec. & Amort.	(cr)141,830	(cr)151,591	+ 9,761
Investments	17,084	18,210	+ 1,126
Other Assets	5,285	7,735	+ 2,450
TOTAL ASSETS	$411,124	$448,596	+$ 37,472
LIABILITIES			
TOTAL CURRENT LIABILITIES	$ 45,853	$ 39,843	—$ 6,010
Deferred Liabilities	603	669	+ 066
Unadjusted Credits	4,940	3,280	— 1,660
Long Term Debt	77,151	96,221	+ 19,070
Preferred Stock	70,538	70,399	— 139
Common Stock	140,935	140,883	— 052
Surplus	71,104	97,301	+ 26,197
TOTAL LIABILITIES	$411,124	$448,596	+$ 37,472
WORKING CAPITAL	$ 29,466	$ 27,328	—$ 2,138
CURRENT RATIO	1.6	1.7	+ .1

CLEVELAND ELECTRIC ILLUMINATING COMPANY

BUSINESS: Generating virtually all of its electric energy requirements, this large public utility supplies electricity in Cleveland, Ohio, and adjoining territory covering about 1,700 square miles, and containing well diversified industrial activities. Also supplies steam to Cleveland's downtown business section.

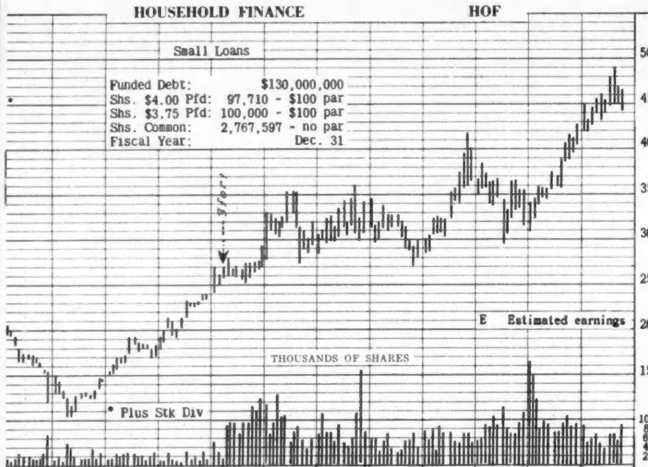
OUTLOOK: Operating results for the 12 months to July 31, of this year, clearly show that Cleveland Electric Illuminating will again establish a new high in common shares earnings for 1952, continuing the uptrend marking the last 11 years of operations. Per share earnings for the 1951-52 period of $3.95, the highest on record, compare with $3.68 for the full 1951 year, and represent an almost steady yearly climb from $2.15 a share realized in 1952. This achievement has been attained by the area's unprecedented industrial expansion, at a rate greater than the national average, and especially significant because of the diversification including substantial chemical and steel making facilities. These industrial gains account, in part, for the growth in gross revenues from $37.3 million in 1942, to $80.7 million in the 12 months to July 31, last. Constantly rising demand for electric energy from both industrial and domestic users made it imperative for the company to embark upon a broad expansion program, bringing net property and plant account, as of June 30, 1952, up to $301.3 million, an increase in the last 10½ years of $141 million. Additional generating capacity to go into operation next year consist of two 125,000-kw. units at the Eastlake plant. These will be followed by a third unit of the same size in 1954, with a turbo-generator of 200,000-kw. scheduled for service in 1956. Necessary financing already accomplished and that planned will naturally create charges which for the time being, will dilute common share earnings, which should improve substantially as new facilities come into operation.

DIVIDENDS: The company's record of dividend payments extend over 51 years. Quarterly distributions of 65 cents a share were made in 1952.

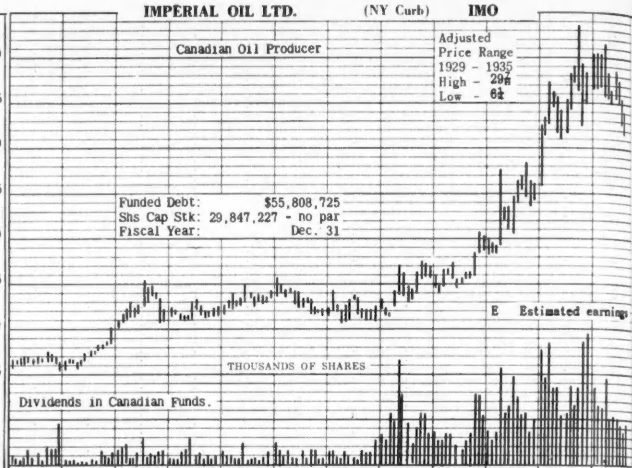
MARKET ACTION: Recent price of 52½, compares with a 1951-52 price range of High—56⅝, Low—42¼. At current price the yield is 4.9%.

COMPARATIVE BALANCE SHEET ITEMS

	December 31 1942	July 31 1952	Change
ASSETS		(000 omitted)	
Cash & Marketable Securities	$ 11,126	$ 18,877	+$ 7,751
Receivables, Net	3,649	4,353	+ 704
Materials & Supplies	3,556	16,037	+ 12,481
Other current assets	107		— 107
TOTAL CURRENT ASSETS	18,438	39,267	+ 20,829
Property & Plant	165,293	305,574	+ 140,281
Other Assets	3,717	1,412	— 2,305
TOTAL ASSETS	$187,448	$346,253	+$158,805
LIABILITIES			
Accounts payable & accru.	$ 2,220	$ 7,713	+$ 5,493
Tax Reserve	8,414	13,389	+ 4,975
Other current liabilities	268	901	+ 633
TOTAL CURRENT LIABILITIES	10,902	22,003	+ 11,101
Other Liabilties	1,933	449	— 1,484
Reserves	1,564	4,445	+ 2,881
Reserve for Deprec.	40,625	82,330	+ 41,705
Long Term Debt	50,000	120,000	+ 70,000
Preferred Stock	25,499	25,499	....
Common Stock	40,871	56,446	+ 15,575
Surplus	16,054	35,081	+ 19,027
TOTAL LIABILITIES	$187,448	$346,253	+$158,805
WORKING CAPITAL	$ 7,536	$ 17,264	+$ 9,728
CURRENT RATIO	1.7	1.8	+ .1



	1941	1942	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952
EARN.	2.04	2.00	1.84	1.77	1.96	2.43	3.19	3.89	3.52	4.09	4.25	E 4.50
DIV.	1.67	1.33	1.33	1.33	1.38	1.50	1.80	2.00	•2.00	2.20	2.40	
Wkg Cap $ Mil	-	-	-	-	-	-	-	-	-	-	-	



	1941	1942	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952
EARN.	.60	.54	.58	.60	.61	.64	.75	.84	.88	1.12	1.20	E 1.50
DIV.	.50	.50	.50	.50	.50	.50	.50	.50	.50	.55	.65	
Wkg Cap $ Mil	56.7	60.5	69.6	74.7	74.5	61.5	67.1	110.5	150.5	162.9	215.6	

HOUSEHOLD FINANCE CORPORATION

BUSINESS: With its subsidiaries, Household Finance is one of the largest organizations operating under the small loan laws of the various states. It has 429 branch offices located in 29 states and through a Canadian subsidiary, maintains 144 offices in 10 Canadian Provinces. The company also owns controlling interest in the Peoples Industrial Bank of N. Y., a non-consolidated subsidiary.

OUTLOOK: In reporting net earnings of $3.75 a share for its common stock in the first 9 months of 1952, the company continues to establish new records in volume of business and earnings. For the full 12 months of 1951, loans made by its organization totaled $526.9 million, resulting in net profit of $4.25 a share. On the basis of results for the 9 months to Sept. 30, last, indications are that both of these figures will be surpassed in 1952 by a good margin, net per share probably going over $4.75 a share, with the upward trend continuing into 1953. Although it is in competition with others engaged in the small loan field, the company has not only been able to command an increasing share of the business, but has consistently expanded its network of branch offices. An explanation for this growth may be found in the fact that the total amount of consumer installment loans in the United States is higher than at any time in the past. This can be accounted for by the increased population and the more complex economy under which the rank and file of American wage-earners are living. In relation to personal income, however, the amount of installment loans is not more than before World War II. A factor in the expansion of consumer installment loans is the increasing recognition of the advantages of such credit. Corroboration of this is evinced by the steady growth in the company's volume, measured by individual loans, increasing from 1.1 million in 1946 to 1.8 million in 1951. At the same time the average size of loans has increased from $199 in the earlier year to $281 in 1951, and as of Sept. 30, last, receivables held amounted to $323 million, contrasting with $80 million at the end of 1941.

DIVIDENDS: Payments on present common stock made without interruption since 1937. Stock split 3-for-1 in 1945; 10% in stock paid in 1949. Current cash dividend at annual rate of $2.50 a share.

MARKET ACTION: Recent price of 45½, compares with a 1951-52 price range of High—49, Low—30½. At current price the yield is 5.4%.

COMPARATIVE BALANCE SHEET ITEMS

	Dec. 31 1942	Sept. 30 1952 (000 omitted)	Change
ASSETS			
Cash & Marketable Secur.	$ 5,087	$ 27,843	+$ 22,756
Notes Receivable	65,420	295,190	+ 229,770
Office Equipment	612	3,169	+ 2,557
Invest. in affiliates	....	1,682	+ 1,682
Other Assets	083	1,414	+ 1,331
TOTAL ASSETS	$ 71,202	$329,298	+$258,096
LIABILITIES			
Notes Payable	$ 2,018	$ 84,102	+$ 82,084
Accruals	1,091	3,052	+ 1,962
Tax Reserve	4,256	16,180	+ 11,924
Other Liabilities	017	057	+ 040
Reserves	865	7,453	+ 6,588
Long Term Debt	13,320	130,000	+ 116,680
Preferred Stock	18,000	19,738	+ 1,738
Common Stock	18,063	33,211	+ 15,148
Surplus	13,572	35,505	+ 21,933
TOTAL LIABILITIES	$ 71,202	$329,298	+$258,096

IMPERIAL OIL, LIMITED

BUSINESS: This company, in which Standard Oil Co. of N. J., has a controlling interest, is Canada's largest producer of petroleum and its products. It operates refineries, pipe lines and other facilities, and holds approximately 25 million acres of land in Western Canada in lease, reservation and option form.

OUTLOOK: Two figures in Imperial Oil's income account for the 9 months to Sept. 30, last, stand with prominence and significance. These are net income of $31.4 million and per share earnings of $1.05. The first figure shows a gain of $5.8 million over net income in the same period of last year, and the second figure a gain over the 85 cents a share reported a year ago. The significance is that they indicate a trend in the affairs of the company based on the rising demand from the industrial and civilian population of the country for refined petroleum products, the increased strength of the Canadian dollar, and the greatly strengthened position of the company as a producer, refiner and distributor of petroleum and its products. In Western Canada, the company's net production of crude rose to apporximately 20 million barrels, an increase of 69% over 1950, enabling its Sarnia refinery to operate without the aid of foreign crudes. This development has been accompanied by the extension of pipe line systems to the West Coast, and creation of a new division to build and operate a products pipe line from Sarnia to the London-Hamilton-Toronto marketing area, which made its first delivery to the Toronto market early in November of this year. In addition, a new refinery at Winnipeg, with a 12,000 barrel daily capacity went into operation in the latter part of June, last. Meanwhile, Imperial is pushing exploration and development work at numerous points in the Alberta and other districts, 1951 expenditures for this purpose amounting to $40.5 million. It has opened up or expanded large natural gas pools, the most important appears to be the Colinville pool where the discovery well had an open-flow of 7½ million cubic feet per day.

DIVIDENDS: The company has an unbroken dividend record extending back to 1914. Current cash payments are at the rate of 40 cents a share semi-annually.

MARKET ACTION: Recent price of 33¾, compares with a 1951-52 price range of High—41⅝, Low—25⅞. At current price the yield is 2.3%.

COMPARATIVE BALANCE SHEET ITEMS

	December 31 1942	1951 (000 omitted)	Change
ASSETS			
Cash & Marketable Sec.	$ 18,450	$106,142	+$ 87,692
Receivables, Net	32,887	56,446	+ 23,559
Inventories	36,182	108,333	+ 72,151
TOTAL CURRENT ASSETS	87,519	270,921	+ 183,402
Net Property	44,827	209,593	+ 164,766
Investments	50,030	12,097	— 37,933
Other Assets	5,014	10,657	+ 5,643
TOTAL ASSETS	$187,390	$503,268	+$315,878
LIABILITIES			
Long Term Debt—curr.		$ 1,971	+$ 1,971
Accounts Payable	$ 17,231	35,780	+ 18,549
Reserve for Taxes	5,810	17,515	+ 11,705
Owed to subsid. cos.	3,895		— 3,895
TOTAL CURRENT LIABILITIES	26,936	55,266	+ 28,328
Reserves	28,458	27,129	— 1,329
Long Term Debt		55,809	+ 55,809
Common Stock	77,975	160,724	+ 82,749
Surplus	54,021	204,340	+ 150,319
TOTAL LIABILITIES	$187,390	$503,268	+$315,878
WORKING CAPITAL	$ 60,583	$215,655	+$155,072
CURRENT RATIO	3.2	4.9	+ 1.7

Capitalizing Stock Losses

To Avoid Taxes

By RICHARD COLSTON

In the October 18 issue, we presented a comprehensive review of 1952 income tax provisions affecting security transactions. In this article, we are covering the problems in the acceptance of losses in order to enable our readers to obtain the greatest possible advantage in tax savings.

The establishment of security losses to effect tax savings may be profitable, if the investor observes common-sense principles in the disposition of his securities. Most investors, unfortunately, attempt to save on taxes indiscriminately with the result that frequently more is lost in the blind attempt to cut taxes than is gained in the specific amount saved.

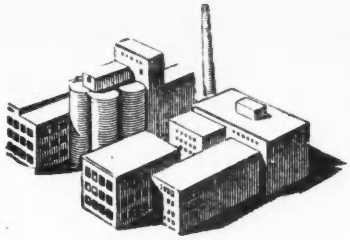
It is true that under the 1952 tax law both long-term gains and long-term losses can be computed at 100% of gross income, which is double the amount allowed on long-term losses under the former law, so that the acceptance of long-term losses is now worth twice as much as formerly. Nevertheless, even with this greater advantage now available, the investor must make sure that he is not unnecessarily sacrificing an issue that may eventually regain most, if not all, of its former value; for if he does so he will obviously have made an unprofitable move.

The Necessary Steps

The individual investor must, first, be guided by his own financial circumstances. He must calculate his own gross income, including capital and short-term gains. Based on the tax he must pay on this combined amount, he can then determine the savings that can be effected through the acceptance of losses, if any. Assuming that he has determined the maximum tax he can save through the acceptance of losses, his next step is to decide which of the individual stocks he holds should be sold for the purpose; whether he should reinvest these funds, and in which specific issues they should be reinvested.

In passing, it should be said that if the investor is in doubt as to his tax status, he should obtain professional advice. However, this should not be confused with the specific problems of selling or purchasing individual securities. This requires an approach of an entirely different kind. It is worth emphasizing this point so that the investor clearly separates the two problems in order that he may hold them both in proper focus.

Assuming that he is in possession of the technical information required in handling his taxes, or can secure such advice through competent professional



assistance, he should concentrate entirely on the problem of which security or securities he should sell on the specific basis of their actual and prospective investment position. In plain words, he should decide whether the stock, among those issues in his portfolio on which substantial losses have accrued, is worth holding or should be sold. This must remain the chief basis of determining how to capitalize on losses.

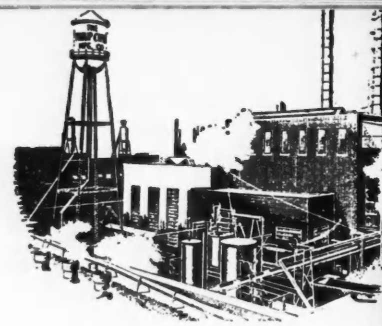
In the accompanying table, we list 30 stocks (this is a typical group of stocks on which tax losses may be established) which have suffered severe declines since 1945-46, a period witnessing the high-water mark for hundreds of different stocks. On face, the acceptance of losses on all these stocks could provide satisfactory tax savings. Yet, upon analysis, some of these issues should not be sold on the basis of their ascertainable prospects, whereas others seemingly "have no future" and their retention consequently seems to offer dubious prospects of recouping the loss involved.

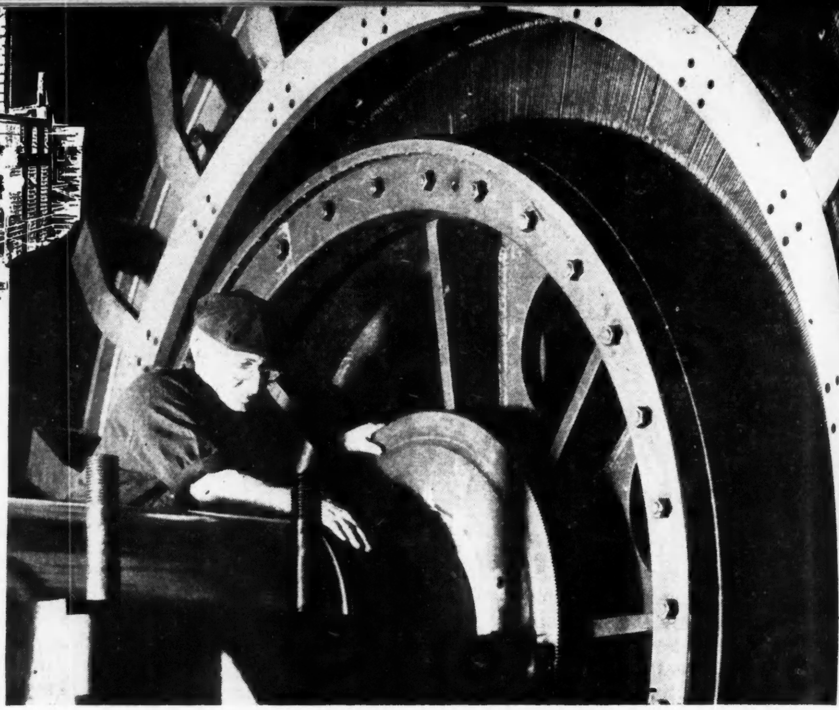
For the convenience of our readers, we have classified the stocks listed in the table according to whether they should be held or sold. The two columns of figures that are (*Please turn to page* 254)

30 Stocks with Substantial Declines Since 1945-6

	Approx. High Price 1945-46	Approx. Recent Price	Percent Change from 1945-46 High	Estimated 1952 Net Per Share	Indicated Dividend 1952	Earn'gs Margin Over Div. %
Air Reduction H	59	25	57%	$2.30	$1.40	50%
Allegheny Lud. Steel H	61	35	42	2.75	2.00	37
American Locomotive X	44	18	59	3.40	1.50	136
American Woolen X	70	24	65	(d)	[3]	....
Bayuk Cigar X	31	10	67	.70	.60	16
Best & Co. H	52	26	50	3.00	2.00	50
Bohn Alum & Brass H	52	19	63	1.65	.67[1]	123
Bond Stores X	48	12	75	1.50	1.00	50
Bristol-Myers H	70	24	65	2.50	1.60	56
Central Foundry X	17	6	64	.75	.55[3]	36
Cluett Peabody X	60	25	58	2.75	2.00	37
Continental Motors H	24	9	62	1.65	.60	137
Evans Products X	33	10	69	2.00	.25[2]	700
Firth Carpet H	28	10	64	.50	.40[3]	25
General Cigar X	40	18	55	1.60	1.00	60
Gimbel Bros. H	55	15	73	1.75	1.00	75
Gotham Hosiery X	43	7	83	(d)	[3]	....
Heyden Chemical X	45	15	66	.75	.87½[3]	16
Holland Furnace X	40	20	50	2.25	2.00	12
Lake Shore Mines H	23	8	65	.30	.30[3]	....
Liquid Carbonic X	41	17	58	1.60	1.40	14
Mack Trucks H	38	13	65	1.50	1.00	50
Mead Johnson H	37	13	64	1.00	.60	66
Newport Industries X	45	13	71	1.25	.75[3]	66
Pennsylvania R.R. H	47	19	59	2.75	1.00	175
Spiegel, Inc. X	39	7	80	.65	.30[3]	116
Standard Brands X	55	26	52	2.60	1.70	53
Twin Coach X	26	9	65	1.65	[3]	....
United Air Lines H	62	28	54	3.90	1.50	160
Wayne Pump X	47	12	74	.60	[3]	....

(d)—Deficit. [1]—Dividend action postponed. [2]—Plus stock.
[3]—Dividend reduced or discontinued. H—Hold.
X—Uncertain prospects: losses on these issues acceptable for tax purposes.





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Two Dynamic Utilities

By STANLEY DEVLIN

It is not often that public utility company stocks can be classed as dynamic. Generally, they represent companies marked by slow, steady growth. However, due to special circumstances, there are two public utility companies, among others, which possess unusual possibilities. One of these is Gulf States Utilities Co., operating in those sections of the Gulf States which are rapidly growing in industrial activity. The other is Montana-Dakota Utilities Co., which stands a good chance to benefit from the possibilities inherent in the development of the new Williston Oil Basin. We herewith describe the important characteristics of each of these companies:

Gulf States Utilities Co.

Stretching from Baton Rouge in Louisiana, past Beaumont and Port Arthur, Texas, lies an area comprising approximately 28,000 square miles serviced by Gulf States Utilities, primarily with electric energy, sales of which are augmented by distribution of steam, natural gas and water.

This territory is one of the fastest growing in the United States. This may be accounted for by the fact that it is favored by a number of major economic factors, including an even year-round climate, growing water transportation, and the availability of large supplies of oil, natural gas, sulphur, salt and other natural resources.

The production, refining and distribution of oil and the production of synthetic rubber and other chemicals are also expanding in the area. The chemical industry, depending so largely on the availability of abundant supplies of oil and natural gas, has been greatly magnified and now ranks as one of the most important in the company's area. Aside from its importance industrially, the territory ranks high in the production of rice, cotton, and sugar cane and in the products of cattle and lumber.

To keep pace with the increase in volume of its business and to improve the ratio of generating capacity to maximum load, the company has been engaged since 1946 in a substantial construction program in the rapidly growing area served. Within that time it has expended about $145 million on additions and improvements, with an additional $32 million expenditure believed necessary in 1953, and $21 million more likely to be expended in 1954.

Rising Peak Electric Load

The rate of growth in the company's electric business is best illustrated by the fact that in the five years to the close of 1951, the peak load has increased from 203,538 kilowatts in 1946 to 439,800 kilowatts in 1951, and is estimated will increase to 506,000

Gulf States Utilities Co.

10 Year Earnings and Dividend Record

	Gross Revenues	Operating Income	Net Income	Net Per Share†	Dividends Per Share†
	—(Millions)—				
1952 (12 mos. ended 9/30)	$36.1	$9.4	$7.0	$1.82	$1.20[1]
1951	32.8	8.1	5.9	1.61	1.20
1950	28.6	7.7	6.0	1.85	1.20
1949	25.0	6.6	5.5	1.91	1.20
1948	22.7	5.5	4.6	1.77	1.05
1947	19.5	4.8	3.9	1.75	.85
1946	16.8	4.4	3.4	1.54	.79
1945	17.9	3.7	2.6	1.08	.76
1944	17.4	3.5	2.2	.86	.62
1943	15.3	3.4	2.1	.81	.58
1942	12.5	2.9	1.7	.59	.44

†—Including reclassification of common stock in 1947.
[1]—Estimated full year dividend.

Recent Price: 26¼
Yield: 4.5%
Price Range, 1951-52 to 11/6: 26⅜-20⅛

kilowatts in 1954. It has gained on an average of 13,870 new electric customers in each year.

Its gas business, largely in and around the City of Baton Rouge, also has shown substantial growth, increasing 89.1% in the five years and four months to the end of April this year, while in the same period water business and the revenues therefrom have also grown substantially, due principally to the increased population at Lake Charles, La., and Orange, Texas, the new naval installations, and the greater number of industrial plants in those cities.

Industrial Growth of Territory

The rapid growth of the company's entire territory is, perhaps, more clearly depicted by the 55.5% increase in residential customers, and the 37.5% gain in commercial customers from 1946 to April of this year. The latter group, made up of some of our largest national corporations, include Pure Oil Co., Atlantic Refining Co., and Cities Service Refining Co., all of which operate refineries in the area. Companies taking electric energy from Gulf States Utilities for pipe line pumping are, among others, the Solvay Process Co., Sun Oil Co., Shell Pipe Line Corp., Gulf Refining Co., Texas Pipe Line Co., Magnolia Pipe Line Co. and Texas Eastern Transmission Corp.

Other large customers are the Jefferson Chemical Co., Mathieson Chemical Corp., and the Rubber Reserve Co. At Baton Rouge, the company operates a specially designed steam-electric plant to furnish process steam and electric energy principally to the Ethyl Corp., and Esso Standard Oil Co. Under contracts which run to Dec. 31, 1961 in the case of Ethyl Corp., and to May 1, 1960 with Esso Standard, Gulf States furnishes electric energy up to an aggregate contract maximum demand of 124,200 kilowatts and process steam to 1,890,000 pounds per hour. Tenative agreements provide for raising these figures to 160,800 kilowatts and 2,875,000 pounds of steam per hour and additional equipment has been ordered to provide for the increases. The company also supplies steam and electric energy to the U. S. Rubber Co.

Increased Gas and Electric Sales

Reflecting growth in population and the influx of industrial companies into the company's territory, gross revenues increased from $16.8 million for 1946 to $32.8 million for 1951, or almost 100%. Net income has kept pace, mounting from $3.4 million in the year to $5.9 million in 1951, the latter figure being equal to $1.61 a share on the common stock. This record figure for net income will be broken in the current year. Operating revenues in the 12 months to Sept. 30, last, of $36.1 million surpassed the previous 12 month's figure by $4.3 million. This produced net income of close to $7 million, representing a gain of more than $1 million over the same period a year ago. Notwithstanding the new financing carried out in connection with its expansion program which naturally diluted per common share earnings, net per share in the 1951-52 period was equal to $1.82.

Such earnings provide a satisfactory margin of safety for the current $1.20 a share annual dividend rate on the common stock which has been maintained consistently since 1949. There seems to be a good possibility that this rate will be raised before much time has elapsed. Higher electric rates throughout the Texas territory, most of which went into effect last May, are expected to increase electric operating revenues by more than 15% within the area. Similar rate increases are being sought in the Louisiana territory but these have been denied by the P.S.C., there and an appeal has been taken to the State's Supreme Court.

Higher Louisiana electric rates would, of course, find reflection in net income, but such a prospect is not the highlight in Gulf State Utilities' situation. What does stand out is the diversification of agricultural and industrial activity in its broad territory and the rapidity with which the area is growing, giving the company somewhat unusual growth possibilities.

Montana-Dakota Utilities Co.

Within the western half of North Dakota, the eastern quarter of Montana, and the northwestern section of South Dakota, lies an area of close to 60,000 square miles, practically all of which Montana-Dakota Utilities Co., serves with gas, mostly natural, and electricity.

As a public utility the company's growth has been at the steady pace that characterizes most of its contemporaries, but perhaps a little faster than some. This is borne out by its record during the last five full years to the end of 1951. In that time natural gas sales have risen from 15,228 million to 21,111 million cubic feet, and electric sales, measured in kwh., of 236.6 million in 1951, more than doubled 1947 sales of 127.7 million kwh.

During this five-year period total operating revenues expanded from $10.2 million in 1947 to $16.8 million last year, or, roughly, 45%, most of which was recorded in the 1949-51 years, the latter 12 months period being marked by a jump of 15 million kwh. in electric sales.

This sharp increase was brought about by oil discoveries in the territory served by the company which opened up what is now known as the Williston Basin, considered to be a southeasterly extension of the Alberta Basin of Canada. At last reports, approximately 35 wells have been drilled or were in various stages of completion in the Williston Basin with oil discoveries (*Please turn to page* 254)

Montana-Dakota Utilities Co.

10 Year Earnings and Dividend Record

	Gross Revenues	Operating Income	Net Income	Net Per Share	Dividends Per Share
	(Millions)				
1952 (First 9 months)	$13.2	n.a.	$1.9	$ .54	$ .90[1]
1951	16.7	$2.4	1.5	.73	.87½
1950	14.3	2.6	2.0	1.55	.80
1949	12.6	2.3	1.7	1.25	.80
1948	11.0	2.0	1.6	1.18	.80
1947	9.8	1.8	1.7	1.39	.70
1946	8.7	1.8	1.6	1.27	.60
1945	6.7	1.1	.9	.49	.45
1944	5.9	1.3	.8	.60	.50
1943	5.6	1.4	1.1	1.07	.40
1942	5.5	1.5	1.1	1.09	.40

[1]—Estimated full year dividend.

n.a.—not available.

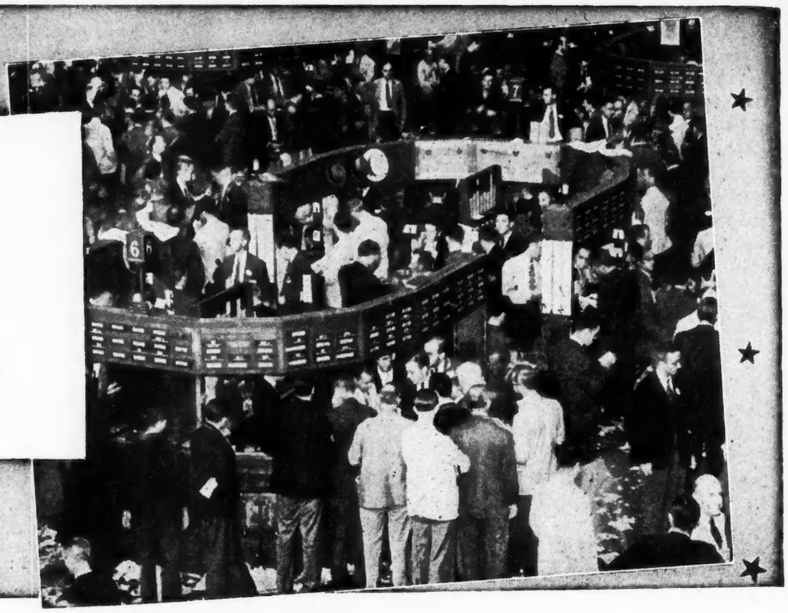
Recent Price: 22¾

Yield: 4.0%

Price Range, 1951-52 to 11/6; 28⅞-11¼

FOR

PROFIT AND INCOME



Mixed

So far as positive "trend indications" go, this is still a bull market. At this writing, the recovery from the October 22 low of the industrial average, most of it concentrated just before and just after the election, has run for a little more than three weeks; while that of the rail average from its September 15 low has been maintained for two months. If it should shortly be followed by a decline of both averages under the lows cited, that would be a bear-market "signal". It would be more "authoritative", however, if the recovery of the industrial average first becomes more definitely of intermediate character, rather than minor, by running for at least a couple of weeks longer and bettering the intraday high recorded on the day after election, which it has not yet done. Actually, it has long been more of a selective trading-swing market than a major-trend market; and that it will continue so, at least over the medium-term, is a reasonable premise to go on. The current performance is highly mixed, with about as many individual stocks making new highs each day as are falling to new lows; and with buyers increasingly interested in "special-situation" stocks in line for possible earnings gains via increasing company volumes, expected relief from price control, hoped-for relief from the excess profits tax or some combination thereof.

Groups

Stock groups showing especial strength at this writing include utilities, automobiles, electrical equipments, cigarette stocks and food brands. Groups which remain fairly close to lows made on the August-October sell-off include agricultural implements, amusements, business machines, coal mining, construction, department stores, mail order stocks, rail equipments sugar, and textiles.

Defensive

A "defensive" stock is a stock in which you will not be as badly hurt, if there is a serious market decline, as you would be in more speculative issues, Defensive stocks are not stable in market behavior. They are merely less unstable than other types. In a bear market, because of its general "psychological pull", they generally decline more than do their earnings and dividends. But the latter determine real values in the long run. Defensive stocks are necessarily stocks of well establishe companies which have good dividend records and which are engaged in essential and relatively stable lines of business. They are, of course, devoid of any speculative allure; and growth potentials, if any, are moderate rather than dynamic. Their primary function in investment portfolios is to provide good income return with below-average risk of capital. You are less likely to get "hung up" in defensive stocks for long periods of time than in cyclical-type equities because (1) around bull-market highs they are less extremely advanced than the general run of stocks; (2) they decline less than average in bear markets; (3) their intrinsic values assure recovery in due time;

INCREASES SHOWN IN RECENT EARNINGS REPORTS

		1952	1951
Bangor & Aroostook R. R.	9 mos. Sept. 30	$4.18	$2.32
Ecko Products Co.	Sept. 30 Quar.	.84	.39
St. Louis-San Francisco Rwy.	9 mos. Sept. 30	3.68	2.03
Illinois Central R. R.	9 mos. Sept. 30	11.92	6.85
Penick & Ford Ltd.	Sept. 30 Quar.	.74	.52
Colgate-Palmolive-Peet	Sept. 30 Quar.	1.35	.08
Davison Chemical Co.	Sept. 28 Quar.	.86	.57
Cincinnati Milling Mach.	16 weeks Oct. 4	2.68	1.26
Radio Corp. of America	Sept. 30 Quar.	.42	.13
Westinghouse Electric	Sept. 30 Quar.	1.07	.69

and (4) in buying them there is less chance for misjudgment in making individual selections than in buying run-of-the-mill stocks, a large percentage of which remained, throughout the 1949-1952 bull market, well under highs reached in earlier bull markets. For the reasons cited, defensive stocks should make up a substantial portion of any typical investment portfolio at all times; and the proportion of funds in them should be increased at times when (1) the market is in generally high ground and (2) the business cycle appears to be in a top area. This is such a time.

Selections

Here is a partial list, with current yields, of good-grade defensive stocks: American Telephone 5.8%, Beneficial Loan 5.9%, Boston Edison 5.8%, Commonwealth Edison 5.4%, General Shoe 6.4%, Household Finance 5.6%, S. S. Kresge 5.6%, National Biscuit 5.9%, National Dairy Products 5.8%, and Woolworth 5.8%.

LPG

The projected annual rate of domestic growth in consumption of oil products is around 3%, which means that the rate of earnings growth is moderate and that any substantial future boost in earnings hinges on higher selling prices. In their prior rise, oil stocks generally outran the earnings trend, which is why they sold off sharply. They could decline further if threatened overproduction and softness in oil-product prices develop. In contrast, the projected demand trend for liquefied petroleum gas, which oil men call LPG for short, and for natural gasoline—both derived from natural gas—is upward at a rate at least several times that of oil products. Annual uses of LPG are broadening, and the problem of seasonal variations in demand is being met via enlarged storage facilities, both above ground and underground. Warren Petroleum, doing over $100 million of business a year, is one of the larger makers and distributors of LPG and natural gasoline. Sales have increased over ten-fold since 1941, share earnings nearly nine-fold. Net was $4.80 a share last year (fiscal year ended June 30, 1952), and will probably be higher in the current year. Dividends are on a conservative $1.20 basis. Around 31, the stock is relatively less advanced than the oil group; and earnings might well double over a three-to-five year stretch. This issue should amply reward the patient holder. Whether it will do much of anything either way over the short term, or medium term, is problematical.

Cigarettes

It is taken for granted that the Republican election victory means the junking of Federal price controls effective not later than next April 30. The cigarette makers, long squeezed by inequitably low ceiling prices, figure to be clear-cut and substantial beneficiaries, which is why these stocks have already had a good rally. However, it leaves them, as this is written, about 20% under their average (1935-1939) pre-war level. Cigarette stocks are unlikely fully to regain their earlier investment status, because sales-growth rates have been tending to flatten out and obligations senior to the common stocks have been increased in most cases, as compared with pre-war. Nevertheless, their potential for a further recovery should be substantial. A coming boost of at least 25 cents per thousand cigarettes in manufacturers' selling prices would seem to be a reasonable expectation. Had that been in effect for 1952, estimated net of American Tobacco for this year would be over $7 a share against $4.50 on present selling prices, Liggett & Myers around $7.50 against slightly over $5, Lorillard around $3.40 against roughly $2, Philip Morris (year ending March 31, 1953) around $6.50 against about $4.15, and Reynolds Tobacco (see elsewhere in this issue) around $4.50 against something like $3.

Tax Selling

Whether it is worth while for an investor to take any profits or losses between now and the year-end for tax-adjustment purposes is entirely a matter of individual position and detailed calculations. However, the following guiding principles can be suggested: (1) Do not let tax considerations outweigh sound investment judgment; (2) if appraisal indicates that a stock is over-priced, take your profit and be content to pay the tax; (3) if you have a loss on a stock which is an inferior holding anyway, with the odds against material recovery, take your loss, use it to reduce tax liability and switch into a better-grade issue. If the tax question nudges you into a careful review of your holdings, that is a good thing. Not wishing to acknowledge misjudgment, even to themselves, too many investors "get married" to their losses. The objective should be both portfolio improvement and tax savings, with the latter the less important of the two.

Why Wait?

Speaking of "getting married" to losses, the earnings and stocks of motion picture producing companies have been in a major downtrend since 1946, or for seven years. A significant recovery is not in sight, nor is the basis for one foreseeable. We have repeatedly said here and repeat that in holding these stocks there is probably little to gain, if anything; and that there could be more to lose. They are among the most logical candidates for tax selling.

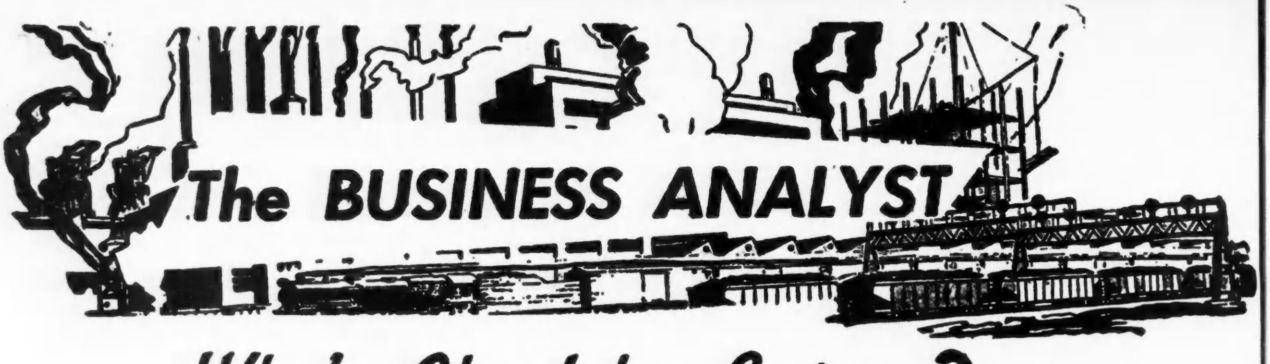
Another

Rail equipment stocks lagged throughout the major rise from the market's 1949 low, and at this writing are close to their 1952 low. On average, however, they sold about 25% under the present level at the 1949 low, about 44%

(*Please turn to page* 262)

DECREASES SHOWN IN RECENT EARNINGS REPORTS

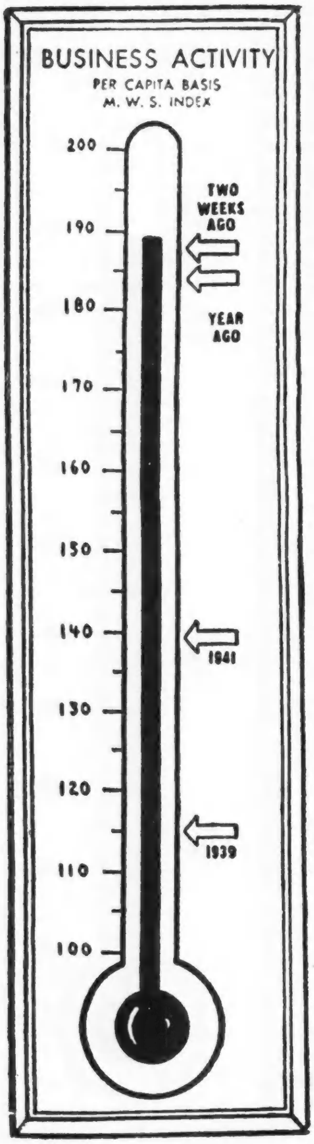
		1952	1951
Felt & Tarrant Mfg. Co.	9 mos. Sept. 30	$ .62	$2.51
Inland Steel	Sept. 30 Quar.	.97	1.58
Pittsburgh Coke & Chemical	Sept. 30 Quar.	.40	.97
Republic Steel Corp.	Sept. 30 Quar.	.81	2.05
Wheeling Steel	Sept. 30 Quar.	.28	2.02
Commercial Solvents	Sept. 30 Quar.	.11	.51
Jones & Laughlin Steel	Sept. 30 Quar.	.08	1.25
Studebaker Corp.	Sept. 30 Quar.	.21	.50
American Cyanamid	9 mos. Sept. 30	2.02	3.74
Owens-Illinois Glass	12 mos. Sept. 30	4.44	7.09



What's Ahead for Business?

By E. K. A.

Retailers, now making their preparations for the "official" opening of the Christmas shopping season, are viewing with perplexity and no inconsiderable concern the slump in retail sales during the past few weeks. Encouraged by the improvement in sales volume during the late Summer and early Fall and by the reported increases in consumer income, retailers have made plans—which means forward purchases—for the best Christmas shopping season on record. Numerous forecasts have been made that this year's holiday sales volume will exceed last year by five percent or more.



Now, looking at the cash register totals of the past few weeks and the comparative drop in customers, retailers are beginning to entertain a vague suspicion that they may have overestimated the potentialities of the Christmas shopping season. In this connection, it may be noted that we indicated in this column several weeks ago (October 4) that retailers would do very well indeed if they equaled last year's volume, let alone exceed it. The fewer number of shopping days alone between Thanksgiving and Christmas this year as compared with last was a warning signal.

Business men other than retailers are as much perplexed and concerned over the slump in sales. It appears to be nationwide, with the weather for once not a factor. Very definitely, consumer resistance has mounted whereas our original belief was that consumer resistance would hold sales volume down to around last year's levels. In some quarters, loose talk during the election campaign—with the Democrats forecasting depression if the Republicans won and with the Republicans implying lower prices if they won—is said to be influencing consumers to defer purchases, and a number of instances of this misguided thinking are circulating among retailers.

During October, department store sales were 6 percent larger than last year and at a new record high for that month. November sales comparisons, however, have been distinctly unfavorable, indicating that the total for the month, when all the returns are in, will be about 5 percent under last year. Department store sales registered a little more than the usual seasonal rise during November, 1951, making it a hard month to beat. If sales drop to the extent now indicated, the Federal Reserve Board index of department store sales for November will be approximately 107 (average 1947-49 equals 100, adjusted for seasonal variation) as against 115 in October and 113 in November last year.

Four years ago, following the national election, department store sales slumped in November after having made an unusually good showing in October. December sales showed no improvement, after correction for seasonal variations. The November sales drop in 1948 was one of the first signals of the oncoming 1949 recession in general business activity. While the recent unfavorable sales comparisons should not be construed as indicating that a recession is close at hand, they do signify that it is time to do a little stocktaking on the business situation.

There is now evidence, for one thing, that a fair portion of the rise in manufacturing output since last Summer is going into inventory rather than moving to consumers. That is only to be expected in the various consumers' durables, since production was crippled by the steel strike while, in the meantime, floor stocks were stripped bare in numerous instances. But, it is pertinent to note that production has been ourunning retail demand in soft goods as well. Retail apparel sales, after the usual seasonal corrections, are no longer than during the early part of this year while production is considerably higher. This isn't something that can continue indefinitely.

Consumer savings, in a declining phase during the first half of this year, now are rising. The gains in income accompanying the rise in industrial production are being largely, if not entirely, saved rather than spent. Consumer expenditures have not shown the rise that customarily goes along with mounting production and employment. Consumer psychology is difficult to fathom, but it does appear that people are beginning to become concerned, along with business men generally, over the outlook in the months ahead and are laying up against a possible "rainy day."

The Business Analyst

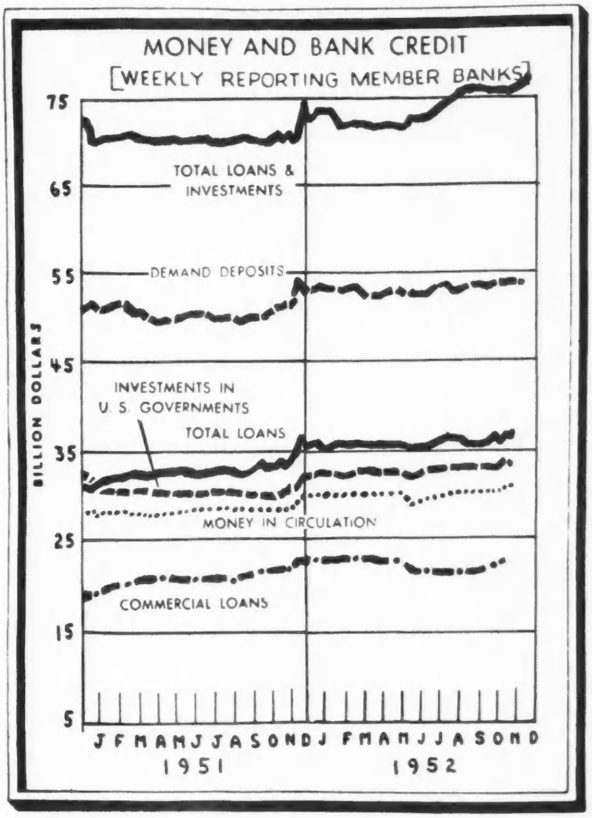
HIGHLIGHTS

MONEY & CREDIT—The policies that the new Administration will pursue in the financial field and their effect on the money market have been subjects of intensive analysis in the financial district. Some observers are expecting pretty massive cuts in the budet for the next fiscal year in line with implied campaign promises. Others contend that with some $109 billion of Congressional appropriations not yet spent on September 30 of this year, budget cuts would have little near-term significance. Rather, they feel that defense commitments already made or planned will force a continued rise in Government outlays for another year at least.

The Treasury meanwhile intends to hand over a full exchequer to the incoming Secretary. It has just raised $2 billion by sale of 210-day tax-anticipation bills and will have to pay a 1.846% rate to the lenders of the funds. This is higher than the 1.72% cost of the October 3 offer of $2½ billion of similar bills. The money just borrowed added to the general fund balance which stood at $5.6 billion on November 13 and the heavy tax receipts in the first half of next year will carry the Government until late next summer without the necessity of raising any addiional new money until that time. However, the new Secretary will be faced by some large problems in the form of upcoming maturities starting with the $8.87 billion of 1⅞% certificates that fall due on February 15. There is general expectation that a more conservative approach to Government financing will be taken, with the main emphasis on borrowing money from the public rather than the banks even if this means paying higher interest charges. Although the resolution is a good one the question remains whether a rise in interest rates would in fact induce private investors to switch their money to Federal obligations. After all, as long as the rise in yields remains moderate, private borrowers in need of money would in all probability continue to top the rate that the Government is willing to pay.

The demand for loans by business has been above seasonal expectations of late and the banks have had to turn increasingly to the Federal Reserve to supplement their inadequate reserves which have been drained by withdrawals of Treasury funds and the expansion of currency in circulation. As a result the banks hiked their borrowing from the Federal to $1,667 million on November 5, the highest in 31 years and there has not been much reduction since then. If increased reliance on rediscounting leads to the danger of an over-expansion of loans the Federal always has the weapon of an increased rediscount rate at hand. At present the Central Bank authorities are understood to feel that the current loan rise has not reached excessive proportions.

TRADE—Retail trade seems to have lost momentum during the first half of November with intense interest in the election diverting the attention of consumers early in the month. The week ending Wednesday November 12 showed some rebound with Dun & Bradstreet, Inc. estimating sales at some 2% better than a year ago. Falling temperatures spurred buying of heavy apparel while price reduction stimulated sales of men's wear. Interest in household goods continued markedly better than last year and good demand for television sets reflected



the affect of new stations to be opened.

Department store sales dipped in the election week ending Saturday, November 8 to a point 8% below the corresponding week of 1951 with the New York district making the worst showing with a 13% decline.

INDUSTRY—Industrial production continues to expand and for the week ending November 8 the MWS Business Activity Index which is adjusted for population growth stood at 189.5% of the 1935-1939 average as against 188.4 two weeks earlier. Car loadings, electric power output and steel production all were higher during the period while coal output has spurted sharply since October 25 as the result of the miners return to work pending a decision by the Wage Stabilization Board on the industry-union wage rise agreement.

COMMODITIES—Average primary market prices, as measured by the Bureau of Labor Statistics price index, held steady

(Please turn to the following page)

Essential Statistics

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
MILITARY EXPENDITURES—$b (e)	Oct.	4.1	4.2	3.3	1.55
Cumulative from mid-1940	Oct.	476.0	471.9	428.0	13.8
FEDERAL GROSS DEBT—$b	Nov. 12	264.9	264.9	257.9	55.2
MONEY SUPPLY—$b					
Demand Deposits—94 Centers	Nov. 5	53.1	53.6	52.2	26.1
Currency in Circulation	Nov. 12	29.9	29.7	28.6	10.7
BANK DEBITS					
New York City—$b	Nov. 5	11.8	12.2	9.1	4.26
93 Other Centers—$b	Nov. 5	16.1	16.2	15.5	7.60
PERSONAL INCOMES—$b (cd2)	Sept.	273.3	269.6	257.3	102
Salaries and Wages	Sept.	181	179	169	66
Proprietors' Incomes	Sept.	54	52	51	23
Interest and Dividends	Sept.	21	21	21	10
Transfer Payments	Sept.	13	13	12	3
(INCOME FROM AGRICULTURE)	Sept.	21	20	21	10
POPULATION—m (e) (cb)	Sept.	157.5	157.2	154.8	133.8
Non-Institutional, Age 14 & Over	Sept.	109.9	109.8	109.0	101.8
Civilian Labor Force	Sept.	63.7	64.0	63.2	55.6
unemployed	Sept.	1.4	1.6	1.6	3.8
Employed	Sept.	62.3	62.4	61.6	51.8
In Agriculture	Sept.	7.5	7.0	7.5	8.0
Non-Farm	Sept.	54.7	55.4	54.1	43.8
At Work	Sept.	59.7	57.0	58.5	43.2
Weekly Hours	Sept.	43.0	42.9	39.7	42.0
Man-Hours Weekly—b	Sept.	2.57	2.45	2.32	1.82
EMPLOYEES, Non-Farm—m (lb)	Sept.	47.6	47.1	47.0	37.5
Government	Sept.	6.7	6.6	6.5	4.8
Factory	Sept.	13.2	12.9	13.1	11.7
Weekly Hours	Sept.	41.1	40.6	40.6	40.4
Hourly Wage (cents)	Sept.	169.3	167.0	161.3	77.3
Weekly Wage ($)	Sept.	69.58	67.80	65.49	21.33
PRICES—Wholesale (lb2)	Nov. 11	110.0	110.0	113.6	92.5
Retail (cd)	Sept.	211.1	211.8	207.4	116.2
COST OF LIVING (lb3)	Sept.	190.8	191.1	186.6	100.2
Food	Sept.	233.2	235.5	227.3	113.1
Clothing	Sept.	202.3	201.1	209.0	113.8
Rent	Sept.	142.4	142.3	137.5	107.8
RETAIL TRADE—$b**					
Retail Store Sales (cd)	Sept.	14.0	13.4	13.0	4.7
Durable Goods	Sept.	4.8	4.2	4.4	1.1
Non-Durable Goods	Sept.	9.2	9.2	8.6	3.6
Dep't Store Sales (mrb)	Sept.	0.80	0.86	0.81	0.34
Retail Sales Credit, End Mo. (rb2)	Sept.	12.2	12.0	11.0	5.5
MANUFACTURERS'					
New Orders—$b (cd) Total	Sept.	24.5	22.5	21.6	14.6
Durable Goods	Sept.	11.9	10.4	10.3	7.1
Non-Durable Goods	Sept.	12.6	12.1	11.3	7.5
Shipments—$b (cd)—Total**	Sept.	23.4	21.9	20.9	8.3
Durable Goods	Sept.	11.4	10.4	9.7	4.1
Non-Durable Goods	Sept.	12.0	11.5	11.2	4.2
BUSINESS INVENTORIES, End Mo.**					
Total—$b (cd)	Sept.	70.7	70.2	71.3	28.6
Manufacturers'	Sept.	43.2	43.1	42.1	16.4
Wholesalers'	Sept.	9.9	9.9	10.5	4.1
Retailers'	Sept.	17.6	17.2	18.8	8.1
Dept. Store Stocks (mrb)	Sept.	2.4	2.3	2.5	1.1
BUSINESS ACTIVITY—1—pc	Nov. 8	198.5	189.2	184.8	141.8
(M. W. S.)—1—np	Nov. 8	229.0	225.3	215.7	146.5

PRESENT POSITION AND OUTLOOK

in the week ending November 11 after setting a new low for the year the previous week at 110.0% of the 1947-1949 average. In the latest week farm products lost 0.4%, largely as a result of lower prices for fruits, cows, hogs and raw cotton. Processed foods gained 0.7% as meats rebounded from their sharp decline of recent weeks. The index of all commodities other than farm products and foods was unchanged with price increases for hides, rubber, lead and inedible oils balanced out by declines for wool tops, burlap and some manufactured animal feeds.

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CONSTRUCTION ACTIVITY continued high during October and was valued at $3.0 billion. This is $100 million below September construction spending, a less than seasonal decline, the Bureau of Labor Statistics has reported. The good showing for October was mainly due to private residential building which just about matched September activity. With new construction spending in October 5.5% above that of a year earlier, this was the fifth consecutive month in which dollar outlays were 5% or more above year-ago totals. Private construction at $1,982 million in October was 3.9% above a year earlier with residential building up 8.0% and non-residential down 0.7%. Industrial building dropped 7.3% while commercial construction was up 11.6%. Public utilities showed a 2.3% gain with telephone and telegraph building up 11.4% from last year but railroads spending 10.0% less. Public construction had an 8.9% gain over last year with installation of military and naval facilities up 24.3%.

* * *

MANUFACTURERS' SHIPMENTS OF PASSENGER TIRE CASINGS amounted to 6,665,655 units in September, virtually unchanged from the month before, according to data compiled by the Rubber Manufacturers Association, Inc. **PRODUCTION** of 6,197,048 casings in September was down 4.6% from August but was 5.5% higher than in September, 1951. With September shipments this year exceeding output, **INVENTORIES** in the hands of manufacturers at the end of the month fell 6.3% to 7,296,715 casings from 7,785,069 a month earlier. On September 30, 1951 there were only 3,604,798 casings in stock.

* * *

CASH DIVIDEND PAYMENTS in October came to $523 million, down 2% from a year ago, the Commerce Department has announced. The dividend decline was centered in manufacturing with changes in payment dates a significant factor. For the first ten months of this year dividend

and Trends

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
INDUSTRIAL PROD.—1 np (rb)**	Sept.	225	214	218	174
Mining	Sept.	174-	157-	167	133
Durable Goods Mfr.	Sept.	285	266	271	220
Non-Durable Goods Mfr.	Sept.	194	191	192	151
CARLOADINGS—t—Total	Nov. 8	829	862	791	833
Misc. Freight	Nov. 8	398	420	382	379
Mdse. L. C. L.	Nov. 8	75	75	73	156
Grain	Nov. 8	53	57	53	43
ELEC. POWER Output (Kw.H.) m	Nov. 8	7,807	7,753	7,396	3,267
SOFT COAL, Prod. (st) m	Nov. 8	9.9	9.2	11.5	10.8
Cumulative from Jan. 1	Nov. 8	392.5	382.3	457.6	44.6
Stocks, End Mo.	Sept.	83.3	81.2	76.2	618
PETROLEUM—(bbls.) m					
Crude Output, Daily	Nov. 8	6.6	6.5	6.2	4.1
Gasoline Stocks	Nov. 8	121	121	120	86
Fuel Oil Stocks	Nov. 8	54	53	49	94
Heating Oil Stocks	Nov. 8	120	120	110	55
LUMBER, Prod.—(bd. ft.) m	Nov. 8	636	679	621	632
Stocks, End Mo. (bd. ft.) b	Sept.	8.5	8.4	7.9	12.6
STEEL INGOT PROD. (st) m	Oct.	9.8	9.1	9.1	7.0
Cumulative from Jan. 1	Oct.	74.0	64.2	87.5	74.7
ENGINEERING CONSTRUCTION AWARDS—$m (en)	Nov. 13	412	196	313	94
Cumulative from Jan. 1	Nov. 13	14,309	13,898	12,434	5,692
MISCELLANEOUS					
Paperboard, New Orders (st)t	Nov. 8	372	226	175	165
Cigarettes, Domestic Sales—b	Sept.	35	36	31	17
Do., Cigars—m	Sept.	527	485.	491	543
Do., Manufactured Tobacco (lbs.)m	Sept.	19	19	20	28

PRESENT POSITION AND OUTLOOK

payments aggregated $6,286 million, up 3% from the corresponding period of 1951. The largest year-to-year gain was in the oil refining industry where payments rose by $93 million or 15%. A minor decline in chemical industry payments reflected dividend omission by one company while all other chemical corporation had a 2% rise in payments in the first ten months. Disbursements by textile and leather firms fell by $27 million or 18% with about one-fifth of the reporting textile firms passing or omitting their regular dividends this year. In the non-manufacturing sector dividend payments rose 5% with mining company disbursements up 13% and railroads increasing their payments by 2%.

* * *

September shipments of **FABRICATED STRUCTURAL STEEL** amounted to 226,458 tons, a slight increase from the month before ,the American Institute of Steel Construction has reported. **NEW ORDERS** were received during the month of September for 204,754 tons, a drop of 21% from the previous month, but some 9% better than for the corresponding 1951 period. With shipments somewhat above new orders, the backlog of orders fell to 2,342,374 tons at the end of September from 2,363,487 tons a month earlier. On September 30, 1951, unfilled orders on the books amounted to 2,580,345 tons.

b—Billions. cb—Census Bureau. cd—Commerce Dept. cd2—Commerce Dept., seasonally adjusted monthly totals at annual rate, before taxes. cdlb—Commerce Dept. (1935-9—100), using Labor Bureau and other data. e—Estimated. en—Engineering News-Record. I—Seasonally adjusted index (1935-9—100). lb—Labor Bureau. lb2—Labor Bureau (1947-9—100). lb3—Labor Bureau (1935-9—100). lt—Long tons. m—Millions. mpt—At mills, publishers and in transit. mrb—Magazine of Wall Street, using Federal Reserve Board Data. np—Without compensation for population growth. pc—Per capita basis. rb—Federal Reserve Board. rb2—Federal Reserve Board, instalment sale credit and charge accounts. st—Short tons. t—Thousands. *—1941; November, or week ended December 6. **—Seasonally adjusted.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEXES

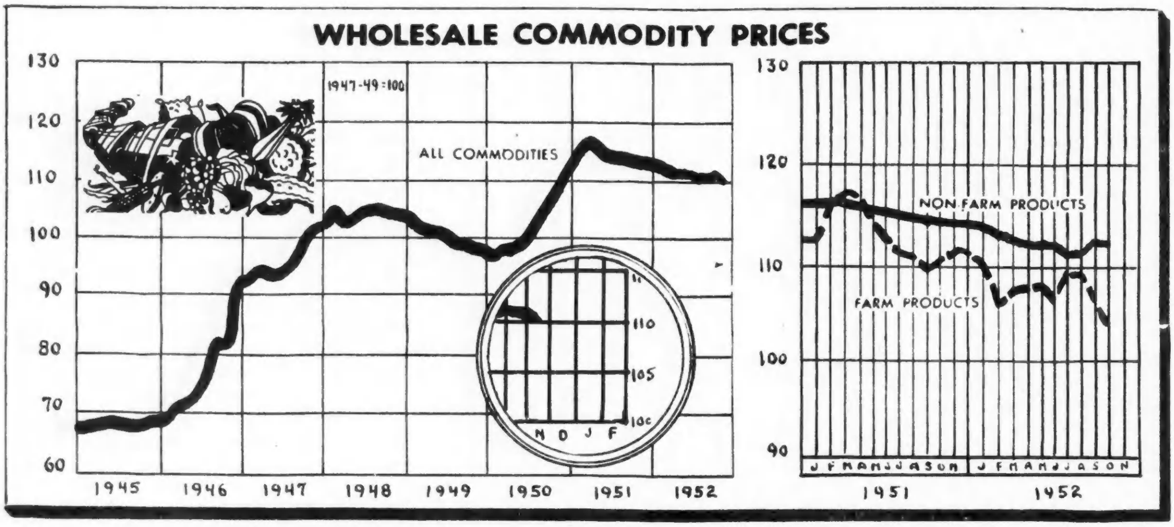
No. of Issues (1925 Cl.—100)	1952 Indexes High	Low	1952 Nov. 7	1952 Nov. 14
330 COMBINED AVERAGE	202.1	190.7	195.7	195.3
4 Agricultural Implements	295.8	243.6	246.6	243.6
10 Aircraft ('27 Cl.—100)	343.4	278.2	334.5	337.4
7 Air Lines ('34 Cl.—100)	777.8	601.1	624.8	601.1
8 Amusement	102.7	77.1	78.1	78.1
10 Automobile Accessories	251.2	232.2	251.2	248.8
11 Automobiles	44.2	40.2	43.8	43.8
3 Baking ('26 Cl.—100)	22.9	20.8	22.7	22.9A
3 Business Machines	398.3	358.5	362.5	358.5
2 Bus Lines ('26 Cl.—100)	182.2	141.6	171.7	170.2
6 Chemicals	418.0	356.4	368.6	364.5
3 Coal Mining	16.0	13.3	13.6	13.3
4 Communications	68.3	61.7	63.0	62.3
9 Construction	72.3	64.8	66.8	66.8
7 Containers	490.6	442.8	452.3	457.1
9 Copper & Brass	169.5	138.8	146.9	148.5
2 Dairy Products	90.5	83.2	84.9	87.3
5 Department Stores	66.0	58.8	59.4	58.8Z
6 Drugs & Toilet Articles	233.1	205.9	212.7	210.5
2 Finance Companies	394.3	308.1	384.8	391.1
7 Food Brands	185.6	171.5	185.6	185.6
2 Food Stores	108.6	97.4	104.5	105.6
3 Furnishings	69.2	59.3	67.4	69.2A
4 Gold Mining	736.4	648.3	667.2	648.3

(Nov. 14, 1936, Cl.—100)	High	Low	1952 Nov. 7	1952 Nov. 14
100 HIGH PRICED STOCKS	129.1	119.2	124.0	123.7
100 LOW PRICED STOCKS	241.5	225.2	229.4	228.7
5 Investment Trusts	109.8	97.9	103.8	103.8
3 Liquor '27 Cl.—100)	1146.9	843.0	899.2	899.2
11 Machinery	218.7	197.9	214.5	216.6
3 Mail Order	130.6	113.8	116.4	115.1
3 Meat Packing	100.2	75.7	80.6	82.5
13 Metals, Miscellaneous	307.4	237.8	243.6	243.6
4 Paper	443.7	395.3	415.5	423.6
29 Petroleum	485.1	420.1	441.8	424.4
30 Public Utilities	183.7	162.51	180.4	183.7A
9 Radio & TV ('27 Cl.—100)	37.0	31.1	35.8	36.7
8 Railroad Equipment	64.3	56.1	57.3	57.3
24 Railroads	49.4	41.3	46.6	46.2
3 Realty	48.5	38.2	48.1	47.4
3 Shipbuilding	213.9	181.0	213.9	212.1
3 Soft Drinks	330.5	301.2	307.5	307.5
14 Steel & Iron	154.8	130.8	136.8	135.3
3 Sugar	73.1	58.9	60.4	59.6
2 Sulphur	616.3	530.4	557.7	552.3
5 Textiles	197.4	148.5	152.4	148.5Z
3 Tires & Rubber	76.7	66.9	73.2	75.3
6 Tobacco	88.3	78.6	86.7	88.3A
2 Variety Stores	319.6	294.8	301.0	301.0
18 Unclassified ('49 Cl.—100)	119.7	112.7	112.7	115.1

A—New High for 1952. Z—New Low for 1952.

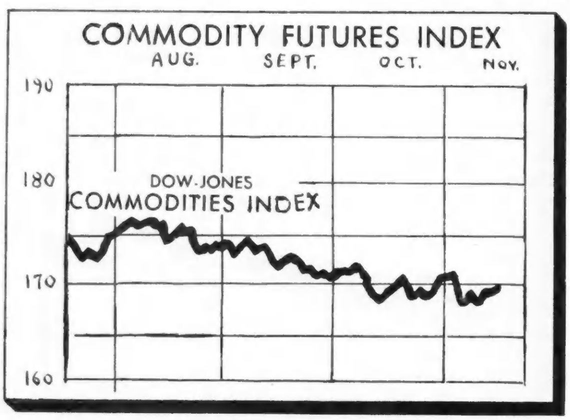
Trend of Commodities

The two weeks ending November 17 saw a continuation of the lackadaisical movement of commodity futures which has characterized the market since mid-October. Of twenty commodities in which there is active futures trading, nine closed higher on November 17 than they had been two weeks earlier, six were lower, while five showed no definite trend. Higher prices were recorded for corn, rye, soybeans, hides, rubber, lead, tin, zinc, and soybean oil, lower prices were reached by cotton, wool and wool tops, cocoa, world sugar and cottonseed oil. Wheat was mixed during the period with the May option unchanged at 246¾. The prevalence of dry weather caused a run-up to a new high for the season at 249⅜ but a late set-back followed on reports of rain. The drought in the winter wheat belt is still serious with some areas reporting damage beyond repair but prices have been kept within bounds by this year's big $1.3 billion bushel harvest. However, over 312 million bushels of 1952 crop wheat have poured into the Government loans through October 15 and in addition the Commodity Credit Corporation owns some 142 million bushels. It is probable that substantial amounts of wheat will continue to be placed in the loan and the total owned or supported by the Government may approach the prospective carryover which, it has been estimated, will amount to 553 million bushels on July 1, 1953. Such a development would be conducive to a sustained price rise. Coincident with the Crop Reporting Board raising its cotton crop forecast by 492,000 bales, cotton futures dipped sharply. The December option finished with a 178 point loss in the last two weeks to close at 34.75. This price is six cents under the season's high but is still more than two cents above loan equivalents.



U. S. DEPARTMENT OF LABOR INDEX OF 28 BASIC COMMODITIES
Spot Market Prices—August, 1939, equals 100

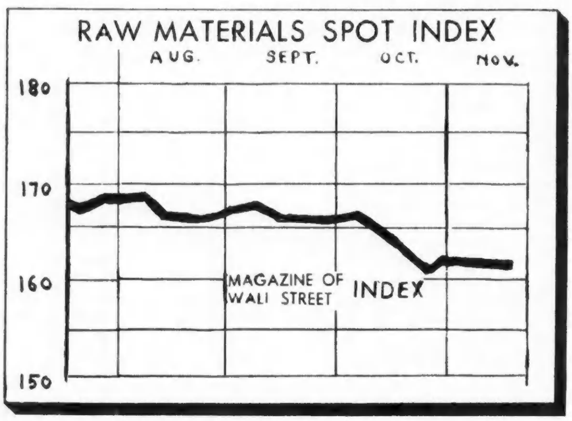
	Date Nov. 17	2 Wks. Ago	3 Mos. Ago	1 Yr. Ago	Dec. 6 1941
28 Basic Commodities	280.7	280.8	293.3	326.8	156.9
11 Imported Commodities	282.7	280.6	283.8	329.0	157.3
17 Domestic Commodities	279.8	280.9	299.7	325.1	156.6
7 Domestic Agriculture	326.8	332.9	356.1	357.2	163.9
12 Foodstuffs	335.1	333.6	360.3	363.9	162.2
16 Raw Materials	263.1	262.1	268.5	314.8	148.2



14 Raw Materials, 1923-25 Average equals 100

Aug. 26, 1939—63.0 Dec. 6, 1941—85.0

	1952	1951	1950	1945	1941	1939	1938	1937
High	181.2	214.5	204.7	95.8	74.3	78.3	65.8	93.8
Low	168.3	174.8	134.2	83.6	58.7	61.6	57.5	64.7



Average 1924-26 equals 100

	1952	1951	1950	1945	1941	1939	1938	1937
High	192.5	215.4	202.8	111.7	88.9	67.9	57.7	86.6
Low	163.7	176.4	140.8	98.6	58.2	48.9	47.3	54.6

Keeping Abreast of Industrial and Company News

Radar equipment is now being used by **Commonwealth Edison Co.,** in the Chicago area to locate points of damage in high voltage transmission lines. Developed by engineers of the company and Public Service Co. of Northern Illinois, the new equipment, known as a radar fault locator, can help pinpoint a damaged spot in an overhead transmission line or an underground cable in a matter of minutes. Heretofore, it has been necessary to locate a fault in an overhead line by patrolling the line and finding the spot by visual observation. Now the trouble can be located from a generating or substation.

Along with the new electric compressor-type refrigerator which **Servel, Inc.,** is adding to its 1953 line, the company announces that it will include a refrigerator that automatically freezes ice cubes without trays, stores the cubes in a basket, and replaces them as they are used. But that isn't all. Besides freeing mankind from dread of the tray, the monotony of life will be broken by changing the shape of the ice from a cube to crescent-shaped pieces that will not stick together.

With the introduction of new, faster, larger and more efficient equipment such as the 10 64-passenger four-engine Super Constellations and twin-engine Martins, **Trans World Airlines** is scheduling the highest seat mileage on its domestic routes for any winter season in its history. For November and December, the company has scheduled 8 million seat miles a day on domestic routes, an increase of more than 39% over the schedule for the same months in 1951. Its domestic timetable lists 139 passenger flights daily, including four Super Constellation luxury transcontinental flights in each direction, and six low-fare transcontinental Sky Tourist flights westbound and seven eastward. The schedule also provides for three all-cargo flights in each direction.

The newest and fastest of the nation's transport airplanes, the Super Constellation, powered by four turbo-compound engines recently began an intensive test program by **Lockheed Aircraft Corp.,** its builders. The ship, with a maximum takeoff weight of 130,000 pounds, is designed to cruise with full payload at 340-mph. or more. As a luxury air transport, already ordered by 12 airlines, the plane can accomodate 59 passengers. It can be converted in a few hours to seat 99 tourist passengers. After thorough flight analysis, these new Super Constellations will start to flow to the Navy within a few weeks. Deliveries to the airlines will begin next year.

A new name, "Mylar" is being added to the long list of America's industrial products. "Mylar", a polyester film developed by **E. I. duPont deNemours & Co.,** will be produced in a new plant on which construction work will be started next year at a cost of about $10 million for the initial installation. It is scheduled to begin operating by 1955. The new product is believed to have distinct properties including unusual strength, heat resistance and insulating qualities. Its most promising immediate field appears to be electrical insulation, in such applications as motors, cables, condensers, coils and transformers.

A new $10 million plant, for which groundbreaking ceremonies were held a few weeks ago, is being erected at Raleigh, N. C., for the Meter Division of **Westinghouse Electric Corp.** These new facilities, the company states, have become necessary in order to relieve the Newark, N. J., plant of the burden of meeting defense requirements for electrical measuring instruments and relays. The Raleigh plant, expected to be in actual operation late in 1954, will be the most modern of its kind in the country. It will provide employment for more than 2,500 men and women, and will, it is figured, increase the area's business and industrial payroll by more than $7 million.

According to an on-the-spot survey of 23 large-scale builders, air conditioning will be widely offered in 1953 as an integral utility in thousands of low and medium-price homes in the East, Midwest and the South. The survey, made by Chrysler Airtemp, a **Chrysler Corp.,** division, disclosed that many real estate men are of the opinion that air conditioning may become a standard feature of every new American home, as common as the kitchen sink. Some builders suggest that air conditioning's ability to provide a dirt, dust and pollen-free home equals the summer cooling appeal of air conditioning.

The "Train Master", said to have the highest pulling power of any locomotive ever built, is **Fairbanks, Morse & Co's.,** latest addition to its diesel locomotive line. The unit, capable of developing 2,400 hp., is designed to handle a wide variety of railroad jobs, from 80 mph. passenger runs to high tonnage freight hauls. During the past decade of conversion to diesels, the railroads' requirements were met by four general types of diesel locomotives. Now the "Train Master", it is said, will enable the roads to use one basic type for all heavy jobs, permitting greater versatility and efficiency in the use of motor power equipment. It is designed around the company's opposed-piston engine and has an overall length of only 66 feet and offers good visibility when operated in either direction.

Two Dynamic Utilities

(*Continued from page* 245)

having been made at widely scattered points, including the Beaver Lodge Pool in North Dakota, in which oil and gas production has been reported in three or more horizons. The Texas Co., brought in a well 10 miles west of Glendive, and Shell Oil has a well about 10 miles further south, identified as the Pine Area Unit No. 1.

It is of interest, in this connection, that Montana-Dakota Utilities controls mineral rights on approximately 90,000 acres of land on the Cedar Creek Anticline south of Glendive. The company, together with its wholly owned subsidiary, Fidelity Gas Co., has entered into an operating agreement with Shell Oil, under which the latter agrees to carry on a program of deep test drilling. In addition to this acreage, Montana-Dakota controls approximately 100,000 acres in the Bowdoin Field in northeastern Montana, and 5,400 acres 7 miles southwest of a well in the Beaver Lodge Pool in North Dakota. Developments in the Basin have started perhaps the most intensive leasing and exploration programs in oil history. Most of the major oil companies have been engaged in lease activities and making geophysical surveys throughout the Basin.

Pending developments on its various acreages, the company is benefitting from the widespread oil exploration activity in its service area. Many of the communities served are experiencing considerably increased commercial activity. The heavy influx of oil field workers has caused a housing boom and to meet the needs of the oil development program, oil field supply warehouses, garages, machine shops, stores and other types of establishments have been and are being constructed. The company has already installed facilities to supply electric power for pumping equipment for a crude oil gathering system in the Beaver Lodge Field. An important development is the plan of Standard Oil of Indiana to build a 30,000 barrel refinery at Mandan, North Dakota.

Another phase of the oil development which should prove of material benefit to Montana-Dakota is the natural gas potential. In anticipation of the availability of natural gas in the area, it has already secured franchises in a number of communities in North Dakota. The company's pipe line serving Williston is about 35 miles from the Beaver Lodge Field, and with gas available in commercial quantities, the company would be in a flexible position to distribute gas as produced or, if necessary, store production in excess of market demand.

Expansion Program Continues

Meanwhile, the company is proceeding with its expansion programs covering both its gas and electric divisions. The 1952 construction program provided for additions to natural gas transmission lines and compressor stations, completion of the Sheridan, Wyoming, power plant addition, as well as additions to substation and other facilities. A major development has been the recent completion of the Worland pipe line project which in itself assures an adequate natural gas supply for future growth, and still another was the Billings Acquisition in June, last year, extending the company's operations into the rich and diversified Midland Empire territory, including Billings, one of the fastest growing communities in the entire Rocky Mountain region and having within a radius of 200 miles of it 53 producing oil fields with more than 15 million barrels annual output.

The improvements and additions made by the company have yet to be fully reflected in earning power. Net earnings for the 12 months to Sept. 30, last, equalled 90 cents a share for the common stock, all of which was paid out in dividends this year, compared with net of 78 cents a share in the 12 months of the previous year.

While the stock has merit from the standpoint of continued growth of the company in the public utility field, its particular attraction, which is of a speculative nature, is two-fold: first, the possibilities of oil development on one or more of its two large acreages on which it owns mineral rights and, second, the substantial increase in both gas and electric business, aside from expected normal expansion, that will be created should the Williston Basin develop into a sizable oil producing area.

Capitalizing Stock Losses To Avoid Taxes

(*Continued from page* 243)

worth special study are those marked "percent of decline from 1945-46 highs" and "earnings margin over dividends." The first column indicates the extent of decline and, therefor, the degree of potential tax savings. The larger the decline, the greater, obviously the possibility of reducing taxes. The second column indicates the margin of earnings over dividends, and, naturally, the poorer the margin the less satisfactory the outlook for the stock.

Individual Factors Dictate Course

Both columns should be studied with reference to each other, as the decision to hold or sell should be determined by their relationship to each other. For example, it does not follow that a large loss in an individual stock necessarily should dictate a sale for tax purposes, especially if the margin of earnings over dividends is relatively satisfactory. The reason for the low price of the stock in such a case may have to do with past conditions; and the improved status of the stock may not have as yet been sufficiently recognized in the market. On the other hand, a stock on which there is a loss may have a good dividend coverage, but it may not have declined sufficiently to make the acceptance of a tax worth while. Hence, there is no reason to disturb the holding.

The reader may find it convenient to apply this simple formula to those of his securities he deems in a doubtful status and which he may desire to dispose of for tax purposes. A careful check of this type may prevent him from taking hasty and unwise action. In any case, it will enable him to approach his tax problems, vis-a-vis his security losses, with greater discrimination.

With regard to substantial security losses, in general, perhaps it is pertinent to point out that, as a rule, these develop mainly owing to negligence and inertia. Unusually large losses typically arise after a long period during which the investor fails to realize that the conditions which seemed to him to justify

(*Please turn to page* 257)

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET *will* answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. **Give all necessary facts, but be brief.**
2. **Confine your requests to *three listed securities* at reasonable intervals.**
3. **No inquiry will be answered which does not enclose *stamped, self-addressed envelope.***
4. **No inquiry will be answered which is mailed in our postpaid reply envelope.**
5. **Special rates upon request for those requiring additional service.**

Owens Illinois Glass Company

"What are the principal manufacturing units of Owens Illinois Glass Company? Please also report sales and net income and dividends."
A. R., Hartford, Connecticut

Net earnings of Owens-Illinois Glass Company were $13,584,799 or $4.44 per share, for the twelve months ended September 30, 1952.

This compares with $21,682,562, or $7.09 per share for the twelve months ended September 30, 1951.

Net sales and other operating revenues of the company amounted to $289,935,590, about 9% below the $318,758,388 total for this period a year ago.

Sales of the company's present products reached a new all-time high in the third quarter. Previous sales record included the sales of American Coating Mills, a former division of Owens Illinois, which was sold on April 1 of this year.

The manufacturing units of the glass company, produce glass containers, glass tableware, television bulbs, glass block and other allied products and they all participated in the sales increase.

Provision for Federal and other income taxes amounted to $22,009,254, or $7.20 per share on the 3,056,874 common shares outstanding, compared with $34,096,028 or $11.15 per share.

Dividend declarations in 1952 totalled $4.00 per share and the same amount was paid in 1951.

The company has recently acquired about 70 acres in the Parkrose area of Portland Oregon for a possible new glass container plant.

Louisville Gas & Electric Company

"I have been a subscriber to your valued Magazine for a good many years and do not often take advantage of your Personal Consultation Service. Please report recent operating revenues of Louisville Gas & Electric Company (Kentucky)". I. C., Dover, Delaware

Operating revenues of Louisville Gas & Electric Company (Kentucky) and subsidiary company for the twelve months ended September 30, 1952 amounted to $35,604,007, as compared with $33,674,350 for the twelve months ended September 30, 1951. Net operating income, after operating expenses, maintenance, taxes, depreciation etc. was $6,734,049 for the twelve months ended September 30, 1952, compared with $6,190,944 for the corresponding period ended September 30, 1951. Net income after deducting all interest charges, amortization of plant acquisition adjustments etc. amounted to $5,264,707, compared with $4,955,611 for the corresponding periods indicated.

For the nine months period ended September 30 1952, operating revenues amounted to $26,208,988, compared with $25,291,794 for the corresponding period of the previous year. Net operating income for the first nine months of 1952 amounted to $4,978,791, compared with $4,674,130 for the corresponding period of 1951, and net income was $3,835,211 for the first nine months of 1952 compared with $3,734,709 for the corresponding period of 1951. The balance of net income after deducting dividends on the preferred stock for the twelve months ended September 30, 1952, was $4,188,688, which was equivalent to $3.22 per share on the common stock outstanding at that date and net income after deducting dividends on the preferred stock for the nine months ended September 30, 1952, was $3,028,196, which was equivalent to $2.32 per share on the common stock outstanding at that date.

Construction expenditures for the nine months and the twelve months ended September 30, 1952 were $8,996,000 and $11,500,000, respectively.

Dividends in 1952 were 45 cents quarterly and the same amount was paid in 1951.

Food Machinery & Chemical Corporation

"You have stated on several occasions in your publication that Food Machinery & Chemical Corporation is a growth company. Have you recent earnings data on the company and if the net has declined, please give reasons for this decline."
R. C., Hempstead, N. Y.

Food Machinery & Chemical Corporation combined sales of regular products and military goods for the first nine months of 1952 totalled $171,294,000. This represents a substantial increase in sales compared with the first three quarters of 1951, and established a record high over any corresponding period since World War II. Combined sales for the quarter ended September 30, 1952 were $54,526,000, or $14,638,000 more than for the same quarter in 1951.

Net earnings for the nine months period totalled $7,724,000 compared with $7,644,000 for the first nine months of 1951. After preferred dividends, this was equivalent to $2.45 per share on 2,952,669 shares of common

stock outstanding on September 30, 1952. Per share earnings for the 1951 period amounted to $3.15 on 2,266,347 shares. Third quarter net earnings were $2,305,000 compared with $2,539,000 for the same 1951 quarter. This amounted to per share earnings of 72 cents in 1952 and $1.04 in 1951, on common stock outstanding at the end of each period.

On the total volume represented for the first three quarters of 1952, $55,878,000 was both direct and indirect sales to the oGvernment. $17,534,000 of this amount was billed in the third quarter. f Government sales together with the billing of those company subsidiaries acquired in 1952, were eliminated from this year's sales figures, sales for the nine months period and for the third quarter would have reflected decreases of 3.8% and 5.3%, respectively, compared with corresponding 1951 period.

The 1952 decline in profit margins, compared wit hlast year, was attributable to several factors such as: low margin of profit on Government work which was accounted for approximately one third of sales for the current year, mounting costs of wages and material without corresponding relief in sales prices, increased competitive conditions in many lines, absorption of accelerated amortization charges, expenses in connection with expansion of certain chemical production facilities and depressed sales of some product lines.

Company officials do not expect a significant change immediately in the profit picture of the company's chemical divisions, where profit margin reductions are greater proportionately than in other company operations, a note of optimism is reflected for 1953. Based on new chemical production facilities to be completed next year and the indication that market conditions should improve in the textile and plastic industries (major users of F. M. C. chemicals) the company anticipates better earnings for these divisions in 1953.

Dividends of 50 cents quarterly have been paid thus far this year.

Schenley Industries

"I have been told that Schenley Industries' sales volume and earnings declined sharply in the past year and am wondering what was the reason. Any late data you have on the company and also its cash position will be appreciated". *B. E. Chicago, Illinois*

Schenley Industries Inc. experienced a decrease in sales and earnings for the fiscal year ended August 31, 1952, but finished the year with higher working capital than a year ago.

Consolidated net earnings, after all charges including provision for Federal taxes were $12,065,481, equivalent to $2.76 per share on 4,363,726 shares of common stock outstanding. Net earnings for the previous year were $22,252,772, equivalent to $5.10 a share on 4,361,976 shares outstanding.

Sales of all products totalled $426,483,232, compared with $450,576,264 in the previous fiscal year.

The company closed its books at the year-end with $51,667,226 in cash and Government securities, and the excess of current assets over current liabilities was $314,516,400, as compared with $308,068,168 at the end of the previous fiscal year.

Lower purchasing power of the consumer's dollar, increased U. S. taxes, changes in trade relations with foreign nations were a few of the many factors that brought their weight to bear on the company's business and resulted in a decline.

A rise in the Federal excise tax on distilled spirits from $9 to $10.50 per proof gallon, depressed sales of legal tax-paid whiskeys and reduced withdrawals of distilled spirits by 24,800,000 gallons in a year.

Encouraging developments in the past year were Schenley's ability to supply the market with blended, straight and bonded whiskeys of superior age and this has been made possible by the age an dquality of its whiskey inventories. The company increased the number of by-products marketed and develope dhigher profit specialty items.

In foreign operations, Schenley's pharmaceutical division entered into several mutually beneficial business arrangements with foreign countries. Its know-how helped foreign companies put new antibiotics plants into operation. Schenley not only receives royalties but also benefitted from the exchange of information with foreign company research experts. This division encountered some price softening in pencillin and streptomycin, and concentrated on distribution of established specialty products and on development of ne wones to expand its lines.

The Blatz Brewing Company subsidiary, which has been operating for 101 years, reached new high marks in production and sales during the year.

The distilling industry hopes that Congress at its next session will extend the bonded period from 8 to 12 years.

Dividends in 1951 totalled $2.00 per share and 50 cents quarterly has been paid this year.

Paramount Pictures Corporation

"As I am interested in Paramount Pictures Coropration stock, please furnish recent earnings and if they are not exact for recent quarter, please give me estimated figures." *C. S., Nashville, Tenn.*

Paramount Pictures Corporation estimates the earnings of the corporation and its consolidated domestic and Canadian subsidiaries for the third quarter ended September 27, 1952 at $1,878,000 after provision for United States and Canadian income taxes. These earnings included non-recurring capital gains of approximately $500,000 after deducting applicable income taxes. These earnings, including such capital gains, represent 80 cents per share and, excluding capital gains, 59 cents per share on the 2,342,088 shares outstanding and in the hands of the public as of that date.

Consolidated earnings for the quarter ended September 29, 1951 were estimated at $1,373,000 and represented 60 cents per share on the 2,302,125 shares then outstanding..

Consolidated earnings for the nine months ended September 27, 1952 after taxes are estimated at $4,663,000 and include the non-recurring capital gains referred to above. These earnings, including such capital gains, represent $1.99 per share and, excluding capital gains, $1.78 per share on the shares then outstanding.

Consolidated earnings for the first nine months of 1951 were estimated at $4,205,000 and represented $1.83 per share.

The consolidated earnings reported above do not include Paramount's share of net undistributed earnings of partially owned non-consolidated subsidiaries. Such share amounts to $123,000 for the third quarter of 1952 as compared with $183,000 for the same period of 1951 and $340,000 for the first nine months of 1952 as compared with $179,000 for the same period of 1951. Dividends this year have been 50 cents quarterly.

Capitalizing Stock Losses To Avoid Taxes

(*Continued from page* 254)

the purchase of the stock in the first place no longer exist; or, if he does recognize the fact that these formerly favorable conditions have changed, he is reluctant to take the logical action. The result, quite frequently, is that losses tend to become cumulative and unecessarily large. To prevent such losses, however, the investor should not hestitate to reverse himself and, accordingly, dispose of any individual issue whose status, according to successive earnings reports, is on the verge of becoming doubtful.

With this interpolation, we can discuss the policy to be adopted with regard to the re-investment of funds secured from stocks sold for tax purposes. This should be done with the greatest care as otherwise, the investor may find that the substitution he has selected may turn out as poorly, if not worse, than the original holding. This is a common experience among unwary investors. There is only one safe principal to follow in "switching". Be sure the investment quality of the stock into which you switch is superior to the one from which you switch. You may not make up as much of your loss in this way as you would like but, at least, you are far less likely to add another large loss on top of the original one. This may be elementary advice but it is remarkable how often it is ignored.

We have not indicated any specific candidates for "switching" in this article, but suggest that for those readers who may wish to take action, for tax purposes or any other for that matter, that they refer to the various recommendations on other pages in this issue. They will find, for this purpose, various types of securities suitable to different needs. It should be added that it is not necessary to switch into stocks at a similar price level. Whether the same number of shares is held as originally is immaterial. It is also not necessary to "switch" into the same industry.

For the benefit of readers who may not have had the opportunity to study the October 18 article on income taxes affecting security transactions, we herewith present a summary of the important points to remember:

1. Delivery date controls the establishment of gains.
2. Contract date (date of trades) controls the establishment of losses.
3. For ordinary taxpayer, Dec. 24, 1952 is last date to establish gains in "the regular way". Securities thus sold must be delivered on or before Dec. 31, 1952.
4. Losses can be established through the last trading day of the year.
5. After Dec. 24, 1952 "cash" trades are required to establish gains. (Full information on all the above can be secured from your broker)
6. Of the four types of capital transactions;
   - (A) Offset short-term gains with short-term losses.
   - (B) Offset the remainder of gains with any remaining losses.
   - (C) If there are remaining losses, apply them to regular income up to $1,000 and use balance to carry-over in following year.
   - (D) On any remaining, short-term gains are taxed at regular income rates; long-term gains reduced by half, taxed at regular income rates, with a maximum of 26%.
7. For general application, take advantage of the following:
   With only short-term gains, use any losses to offset.
   With only long-term gains, use any losses as offset.
   With both short-term and long-term gains, long-term losses must first be used against long-term gains.
   Short-term losses can be applied first against short-term gains.
8. Where both forms of gains are fully offset by losses, remaining losses can be used up to $1,000 against ordinary taxable income. The remainder can be carried forward for use as a short-term loss, and can be so used for five years, until exhausted.

This is important because it means that investors desiring to register a tax loss need not accept the full loss in a single year but may utilize the provision that permits apportionment of the loss over any number of years up to five.

Under our space limitations, it is obvious that the above can cover only the most elementary features of the tax law. Proper utilization of the provisions in the law can result in substantial tax savings but it should be stressed once more that this cannot be accomplished without giving the most specific attention to the paramount factors of individual merit—or the reverse—in the securities involved. Additionally, tax savings should also be attempted only after due consideration of the position of the securities markets, as a whole.

In the next issue, we will publish a list of special re-investment suggestions for the benefit of our readers.

Low-Priced Stocks Headed for Higher Levels

(*Continued from page* 239)

and the remainder of paper board and stock goods are sold mostly to the wholesale trade.

During the 15 year period, 1937 to 1951, sales trended steadily upward from $8.2 million to $47.8 million. Volume for 1952 is not expected to match that of last year. Output of paper and paperboard declined roughly 11% in the first half of this year for the industry as a whole. While Sutherland's sales held up during the initial 6 months, net dropped moderately. Estimated full year earnings should approximate $2.75 per share compared with $2.95 in 1951.

Demand for paper products should continue its strong growth trend of the past, with Sutherland participating fully for its share of the business. The company is especially well equipped to handle new record volume, or to weather any slack period ahead. It has always maintained a strong financial position, enabling it to operate favorably under any conditions. As of December 31, 1951, the corporation held $8.4 million in cash and government bonds, which was well in excess of the $7.6 million of total current liabilities.

Based on current prices, the issue yields just under 6%. In view of the company's excellent record, established trade position and prospects for the future, the stock merits consideration.

United States Rubber Co.

From the standpoint of net earnings, 1952 has been a relatively poor year for practically all of the tire manufacturers. United States Rubber was no exception. Higher costs throughout the year depressed operating profits and this situation was aggravated by the halt in automobile production as a result of the steel strike with the result that tire inventories on the manufacturers shelves grew to unusual proportions.

Notwithstanding these conditions, U. S. Rubber, for the 9 months to Sept. 30, last, was able to show net earnings of $18.9 million, equal to $2.83 a share on the common stock, compared with

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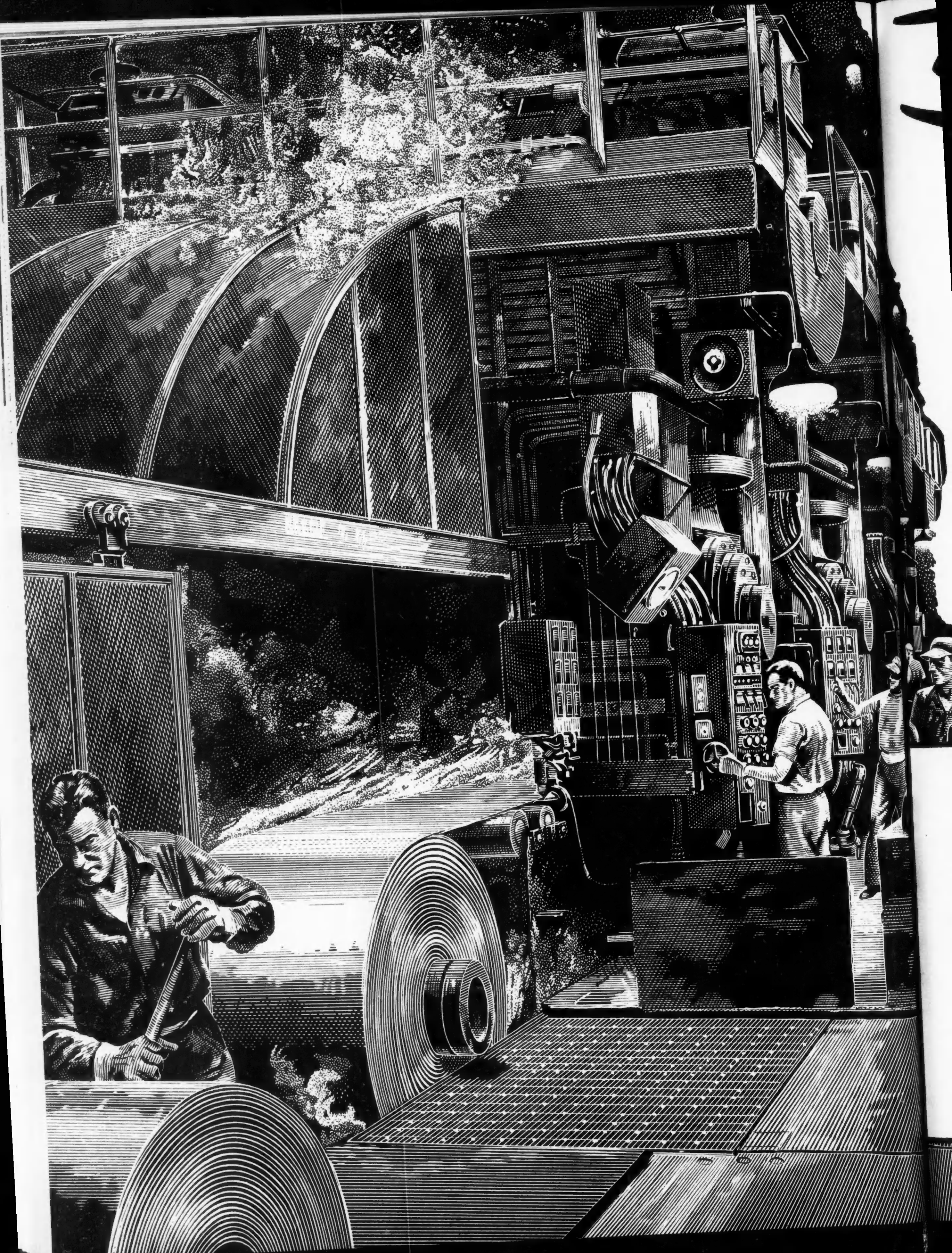

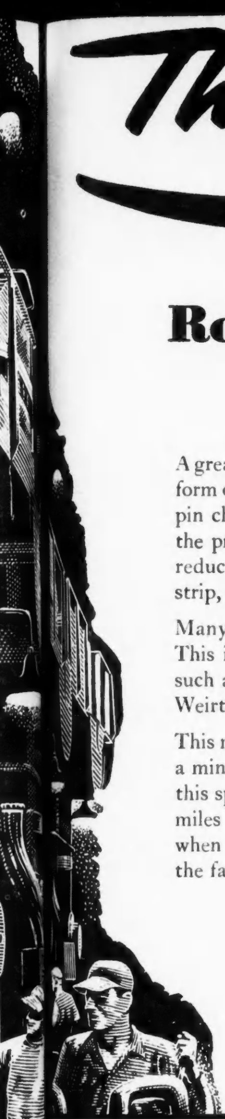

This is National Steel

Rolling "mile-a-minute" steel in one of the world's fastest mills

A great deal of the steel you use daily is first made in the form of sheets and strip. Much as the housewife's rolling pin changes a thick lump of dough into thin pie crust, the pressure exerted by heavy steel rolls in giant mills reduces chunky, red hot ingots to these sheets and strip, of precise thickness and width.

Many important uses require steel of extra-thin gauge. This is made by final rolling on a cold reduction mill, such as the one illustrated here by Peter Helck, at the Weirton Steel Company, division of National Steel.

This mill rolls thin-gauge strip steel at the rate of a mile a minute. It is the world's first mill built to operate at this speed. From it comes an average of more than 325 miles of quality steel every eight hours . . . enough, when made into tin plate, for more than 5,000,000 of the familiar No. 2 cans used in food packaging.

This gigantic unit is even bigger than the illustration indicates, for there is as much mill below floor level as above. Each of its five stands, or sets of rolls, has the over-all size of an average two-story house. Yet, through finger-tip controls, the mill's expert operators guide and govern its tremendous speed and pressures with complete safety and accuracy.

Through investment in more and more efficient facilities of this kind, America's gigantic steel industry has been able to make and *keep* steel one of your lowest-cost and most useful servants.

And constant pioneering in improvements in equipment, methods and quality of product is one of the things that has made and keeps National a steel leader—entirely independent, completely integrated, always progressive.

NATIONAL STEEL CORPORATION
GRANT BUILDING PITTSBURGH, PA.

SERVING AMERICA BY SERVING AMERICAN INDUSTRY

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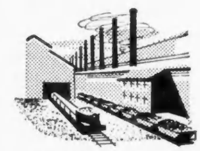
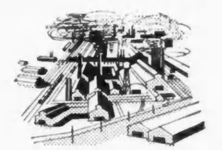
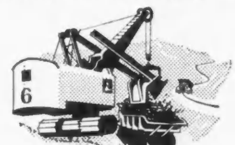


GREAT LAKES STEEL CORP.
Detroit, Mich. A major supplier of standard and special carbon steel products for a wide range of applications in industry.

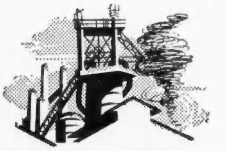


WEIRTON STEEL COMPANY
Weirton, W. Va. World's largest independent manufacturer of tin plate. Producer of many other important steel products.

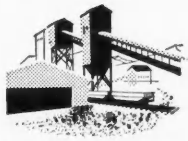
STRAN-STEEL DIVISION
Ecorse, Mich. and Terre Haute, Ind. Exclusive manufacturer of famous Quonset building and Stran-Steel nailable framing.



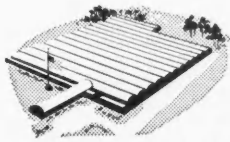
HANNA IRON ORE COMPANY
Cleveland, Ohio. Producer of iron ore from extensive holdings in the Great Lakes area.



THE HANNA FURNACE CORP.
Buffalo, New York. Blast furnace division for production of various types of pig iron.



NATIONAL MINES CORP.
Supplies high grade metallurgical coal for the tremendous needs of National Steel mills.



NATIONAL STEEL PRODUCTS CO.
Houston, Texas. Warehouse and distribution facilities for steel products in the Southwest.

NATIONAL STEEL

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Wellesley Hills 82, Mass.

UNITED FRUIT COMPANY

214th

Consecutive Quarterly Dividend

A dividend of seventy-five cents per share on the capital stock of this Company has been declared payable Jan. 15, 1953 to stockholders of record Dec. 12, 1952.

EMERY N. LEONARD
Secretary and Treasurer
Boston, Mass., November 17, 1952

Low-Priced Stocks Headed For Higher Levels

(*Continued from page* 257)

$22.4 million, or $3.51 a share in the first 9 months of 1951. Of particular significance in connection with current year's results is the fact that sales in the third quarter were $205.2 million compared with $204.9 million last year, producing a profit of 88 cents a share, compared with 89 cents a share in 1951. Final quarter operations should be aided materially by increased defense material output and the more profitable mechanical rubber, footwear and other products.

Considering indicated 1952 earnings, estimated at more than $4.00 a share, current dividend of $2.00 annually is at a conservative rate, especially in view of the company's strong financial position. At the close of business on Sept. 30, last, current assets of $356 million, including $51.6 million in cash and U. S. Treasury Saving Notes, contrasted with current liabilities of $151.9 million. On the basis of the above factors, the stock appears undervalued.

York Corporation

York holds a strong position in the industry, being one of the two leading independent air-conditioning manufacturers. The company has a fine reputation in the field of large installations, and the development of small residential and room air-conditioning units is constructive. Maintenance and servicing, which accounts for 25% of receipts tend to stabilize operations. However, entry of several large industrial companies into the industry has provided keen competition.

Sales have increased from $32.0 million in 1946 to $57.5 million in 1951. Early current fiscal year sales has tended to lag, so that despite stimulated volume in the past quarter, estimated net is placed at $1.60 per share compared with $2.47 last year. Order backlog as of June 30, 1952 totaled $19.4 million, a moderate increase over the $17.4 million a year earlier. With continuation of enlarged demand, substantial increased earnings are expected in the 1952-53 fiscal period.

Over the past 5 years, earning power has averaged over $2.15 per share. In view of recent public interest in the desirability of air-conditioning, evidenced by the popular reaction to the early summer heat, sales and earnings should be strongly sustained in the years ahead. It could trend sharply upward, and possibly elevate net to a somewhat higher level in the not too distant future.

Long-Range Prospects for Industry

Trade reports for the industry estimate that air-conditioning sales for 1953 may rise 40% to 60% over this year, while by 1957 volume projections are placed as high as 400% over present production. York, as a reasonably priced representative of this growth industry, appears attractive with long-range possibilities.

Next issue will contain an article on rare minerals and special metals.

As I See It!

(*Continued from page* 217)

what steps he could take not only to settle the Korean war—but to do so in such a way as to prevent further Communist aggression and to insure real peace and avoid a continuation of a cold-hot war, since it is clear that the Communists are trying to settle the matter their way before the present Administration goes out of office on the swell of demands that Eisenhower stay at home. I think that we would do better to stop, look and listen.

Therefore, let us wait for General Eisenhower to evaluate the situation. He possesses the talents that we need to meet this situation. He is a brilliant conciliator and tactician who knows how to get what he is entitled to. And, when we put the Commies out of important places where the Russians no longer have access to our plans, we will find that they are not supermen—which the blundering of this Administration has caused many to believe—but mortal men like all of us. And the decisions of the Politburo will then be no wiser than that of other men.

Yes—let us wait for General Eisenhower to solve this problem—he's the best man we've got.

Investment Audit of R. J. Reynolds Tobacco Co.

(*Continued from page* 236)

rate of 3 to 4 per cent annually over the foreseeable future and growing hope of price relief, the outlook for cigarette manufacturers has brightened. That Reynolds should fare well is evidenced by the better-than-average price behavior. Investors appear to believe that this company has a better opportunity than its principal competitors to benefit from favorable conditions. Such an opinion is based on the company's experience in financing growth over recent years without incurring heavier obligations.

Total indebtedness of Reynolds, including $135 million of long term debt, approximated the amount of obligations outstanding at the end of 1947 when inventories were about $96 million smaller. Bank loans outstanding at the end of last year amounted to about $55.5 million, not including $5 million of debt due within a year, while 2½ per cent promissory notes due serially from 1953 to 1972 totaled $78 million and a 3 per cent debenture issue due in 1973 amounted to $57 million. Despite the need for expansion to supply enlarged consumer demand, the company ploughed back earnings and increased net working capital to an equivalent of $24 a share at the end of 1951, compared with only $15.25 a share ten years earlier.

On the basis of trends established through the greater part of the year, it is estimated that Reynolds may boost sales almost 10 per cent for 1952 to bring the total to a new record at $875 to $885 million and per-tax income is expected to establish a new peak. With taxes taking upward of $6 a share out of earnings, the remainder available for stockholders may just about match the 1951 showing of $2.92 a share. Results in 1953 promise to reflect would seem justified in counting tax relief if not wide price margins as well. Accordingly, holders on an increase of at least 50c a share in earnings next year from removal of excess profits taxes and probably an equal amount from more satisfactory margins.

Longer-Range Earnings Project

In years to come, with EPT eliminated, one would be warranted in projecting earnings for Reynolds of $5 a share annually or better, it is believed, assuming that management is able to keep pace with the industry's anticipated growth in volume. Such a showing would encourage hope of a more liberal dividend. Despite the need for utilization of earnings in financing large inventories, Reynolds has pursued a reasonably generous dividend policy. Payments in recent years, at the rate of 50 cents quarterly, have come to $2 a share annually. Confidence in earnings improvement and a higher dividend in the not too distant future may have explained price improvement that has lifted shares recently to the best level since 1948.

Strength of Reynolds lies in well established brand preference that has placed "Camel" in first position among American cigarettes with an estimated 27 to 28 per cent of the nation's consumption. "Lucky Strike" is believed to hold second position with about 21 per cent and "Chesterfield" probably is third choice at 19 to 20 per cent of the total. "Philip Morris" is generally supposed to account for about 10 to 11 per cent of domestic sales and Lorillard's "Old Gold" brand is ranked about fifth with approximately 6 per cent of volume. American Tobacco's "Pall Mall" has come up rapidly to challenge "Old Gold" and other extra-long cigarettes are increasing in popularity impressively. As a matter of fact, trade authorities contend that king-size cigarettes registered a sales increase in 1951 of almost 40 per cent over 1950, whereas the standard size package scored a modest increase of slightly more than 2 per cent.

Reynolds, like its principal competitors, manufactures other to-

(*Please turn to page* 262)

CITIES SERVICE COMPANY

Dividend Notice

The Board of Directors of Cities Service Company on November 6, 1952 declared a quarterly dividend of one dollar ($1.00) per share on its $10 par value Common stock. The board also declared a year-end dividend of one dollar ($1.00) per share on such stock. Both dividends are payable December 15, 1952 to stockholders of record at the close of business November 21, 1952.

W. ALTON JONES, *President*

Public Service Electric and Gas Company

NEWARK, N. J.

QUARTERLY DIVIDENDS

Dividends of $1.02 a share on the 4.08% Cumulative Preferred Stock, $1.17½ a share on the 4.70% Cumulative Preferred Stock, 35 cents a share on the $1.40 Dividend Preference Common Stock, and 40 cents a share on the Common Stock, have been declared for the quarter ending December 31, 1952, all payable on or before December 23, 1952 to holders of record at the close of business on November 28, 1952.

GEORGE H. BLAKE
President

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E. I. DU PONT DE NEMOURS & COMPANY

Wilmington, Delaware, November 17, 1952

The Board of Directors has declared this day regular quarterly dividends of $1.12½ a share on the Preferred Stock—$4.50 Series and 87½¢ a share on the Preferred Stock—$3.50 Series, both payable January 24, 1953, to stockholders of record at the close of business on January 10, 1953; also $1.00 a share on the Common Stock as the year-end dividend for 1952, payable December 13, 1952, to stockholders of record at the close of business on November 24, 1952.

L. DU P. COPELAND, *Secretary*

Southern California Edison Company

DIVIDENDS

ORIGINAL PREFERRED STOCK
DIVIDEND NO. 174

CUMULATIVE PREFERRED STOCK
4.32% SERIES
DIVIDEND NO. 23

The Board of Directors has authorized the payment of the following quarterly dividends:

50 cents per share on Original Preferred Stock;

27 cents per share on Cumulative Preferred Stock, 4.32% Series.

The above dividends are payable December 31, 1952, to stockholders of record December 5, 1952. *Checks will be mailed from the Company's office in Los Angeles, December 31, 1952.*

P.C. HALE, *Treasurer*

November 21, 1952

CONTINENTAL CAN COMPANY, Inc.

A regular quarterly dividend of one dollar six and one-quarter cents ($1.06¼) per share on the $4.25 cumulative second preferred stock of this Company has been declared payable on January 2, 1953, to stockholders of record at the close of business December 15, 1952.

LOREN R. DODSON, *Secretary.*

Johns-Manville Corporation

DIVIDEND

The Board of Directors declared a dividend of 75c per share on the Common Stock, and, in addition thereto, a year-end dividend of $1.25 on the Common Stock, both payable December 12, 1952, to holders of record December 1, 1952.

ROGER HACKNEY, *Treasurer*

LOEW'S INCORPORATED

MGM PICTURES · THEATRES · MGM RECORDS

November 19, 1952

The Board of Directors has declared a dividend of 20c per share on the outstanding Common Stock of the Company, payable on December 19, 1952, to stockholders of record at the close of business on December 9, 1952. Checks will be mailed.

CHARLES C. MOSKOWITZ
Vice Pres. & Treasurer

UNITED CARBON COMPANY
DIVIDEND NOTICE

A quarterly dividend of 62½ cents per share has been declared on the Common Stock of said Company, payable December 10, 1952, to stockholders of record at three o'clock P.M. on November 24, 1952.

C. H. McHENRY, *Secretary*

Investment Audit of R. J. Reynolds Tobacco Co.

(*Continued from page* 261)

bacco products, including "Prince Albert" smoking tobacco, regarded as the largest selling item in its field. Cigarettes are believed to account for more than 90 per cent of sales volume, however, and the "Camel" brand alone represents by far the bulk of the business. This fact, permitting concentration of promotion costs on a single brand, is believed partly responsible for the company's relatively high ratio of operating income to sales.

The Market Range and Prospects for Dividends

Reflecting uneasiness over profit margins and the earnings outlook in a controlled economy, tobacco stocks have been in investment disfavor for several years, especially since 1950, when the Korean affair touched off inflationary forces again and posed problems for processors of agricultural products. While most stocks in the group have been easing gradually since 1948, Reynolds has fluctuated in a relatively narrow range. The "B" stock, of which 9,433,878 shares are outstanding, sold as high as 66 in 1929 on a $2.55 dividend, as high as 58 in 1937 on a dividend of $2.85 a share and the highest price since that time was reached in 1946 at 46⅞, while the dividend for that year was only $1.75 a share. The stock has fluctuated within a range of less than 13 points since that time, reaching a postwar low of 31¾ in 1951 and recovering recently to within striking distance of the 1947 top of 44⅛. Dividends since 1947 have amounted to $2 a share annually.

Capitalization includes the $135 million funded debt previously described, 490,000 shares of $3.60 preferred and 260,000 shares of $4.50 preferred as well as the 9,433,878 "B" shares and 566,122 common stock. With the yield at a conservation 4.5%, the stock apparently is commencing to reflect prospects for eventually higher dividends. At current prices, it is an attractive holding for a well-constructed portfolio.

For Profit and Income

(*Continued from page* 247)

below it at the 1942 low, and about 46% below it at the 1938 low. Railroad outlays for equipment are scheduled to shrink sharply in 1953. The car-order backlog has already been largely reduced. Defense work will remain a supporting factor for some time, but earnings from this abnormal business will not be given much weight by the market. In this group, as in the movie stocks, there is little, if anything, to gain by hanging on; but there could be considerable to lose.

Industrial Rayon

This stock, around 55 against 1951 high of 71½, probably has a better recovery potential than the formerly glamorous equities of such "better diversified" rayon makers as American Viscose and Celanese. The latter are predominantly dependent on textile business, which is feeling the effects of over-capacity and may continue to do so for some time. On the other hand, about 70% of the capacity of Industrial Rayon is in tire yarns, demand for which has been at a high level this year and probably will be at a higher level in 1953, in view of projected increases in automobile production and in replacement tire needs. Earnings this year probably will be around $5 a share, down less than 7% from 1951's $5.34 and down 28% from 1950's record $6.68. Finances are strong, there are no obligations ahead of the 1,757,978 common shares, and the well-covered $3 dividend provides a current yield of better than 5.4%.

Industry-By-Industry Survey Of Production Gains and Losses

(*Continued from page* 227)

concerns as the cement companies and highway equipment construction companies a firm foundation for future operations. An increase of 7% is expected for the railway construction industries, which would be of considerable assistance to manufacturers of such products as diesel engines, railway cars and signal equipment.

Machinery. With the tooling-up in the armaments and armament-related industries well along the way, the outlook for the heavy machinery and machine tool industries is for continuation of the present heavy rate of operations for a few months, and then a leveling-off. Such products as industrial pumps and industrial steam turbines and generators may see a decline in production of from 5 to 10%. In other divisions, the larger size tractors remain scarce and an increase in production for these items is expected. Owing to the continued critical need for certain metals, machinery for mining and quarrying is in demand and is likely to remain so indefinitely. The machine tool industry is spotty, although over-all production figures still remain high. It is evident that new orders in this field are arriving at a slower rate than formerly. Some manufacturers are still extremely busy, especially among those supplying boring machines, lathes, grinding and milling equipment. Other tool makers have about caught up with their markets, and others are frankly in search of needed new business. On the whole, the machine tool industry seems to have reached its peak.

Automobile. Recent production figures for the automobile and truck industry indicate that these industries are operating at an increased tempo. The schedule for October was almost 500,000 passenger cars. The industry is still hampered by tightness in steel supplies caused by the strike and is meeting the usual complications in installing new model machine tools. The industry officials are urging that the government permit them to build 1,250,000 cars in the first quarter of 1953. Based on normal replacement demand, it is probable that the public can absorb up to 5,000,000 passenger cars in 1953. This estimate is based on the fact that scrapping of obsolete cars is proceeding at a rate, roughly, of 3.7 million cars a year, which would mean a net addition of only 1.3 million cars a year if production were 5 million. This, it is believed, can easily be absorbed. Owing to restrictions on materials consumption, the outlook for production is, in fact uncertain. Some estimates have it that production may be as high as 6 million; and others, less than 5 million. In the meantime, sales are rising with volume of production for the first quarter 1953, slated at a minimum of 1 million cars, despite tightness of supplies and other impediments. Considering all the circumstances involved, the earnings outlook for the industry up to the end of the first quarter 1953 is satisfactory.

Chemicals. Production figures for the industry, as a whole, show a slight rise recently, with industrial chemicals especially strong; though considerably under 1951 peaks. There is no doubt that, owing to very rapid expansion in recent years, there is some over-capacity and this, in turn, has brought about a buyers' market in many chemical products. The near-term future, however, is enhanced by the general rise in industrial activity. Accordingly, the moderately downward trend in profits evidenced during the second and third quarters of 1951 should be reversed. An important consideration for the longer term is that owing to rapid expansion in capital investment in recent years, plants are thoroughly modern and efficient. With new products being developed and markets broadened, the fundamental position of the industry remains strong. Current reports from leading manufacturers indicate a rather sharp increase in sales which, it is expected, will continue well into the first quarter of 1953. Recent lack of enthusiasm for the industry's prospects, therefor, have accordingly changed to considerable optimism on earnings. .

Tire & Rubber. The final months of the year are witnessing improvement in the general tire and rubber situation. Production and shipments are increasing at the same time that inventories are decreasing. Production of passenger car casings increased 4.55% in September, with a decline of 6.27% in inventories. Production of truck and bus casings rose 18.69%, and inventories dropped 5.10%. These figures represent a definite trend, which is likely to be continued over into the early months of 1953. Current reports concerning hard rubber goods are too scattered to warrant a prediction as to near-term prospects. Generally, profit levels, while recently increasing, are below 1951 levels. On a comparative basis, however, the industry is faring well as to profits, and dividend margins are still substantial.

With reference to the general

(*Please turn to page* 264)

CANADA DRY

DIVIDEND NOTICE

The following dividends have been declared by the Board of Directors:

Preferred Stock

A regular quarterly dividend of $1.0625 per share on the $4.25 Cumulative Preferred Stock, payable January 1, 1953 to stockholders of record at the close of business on December 8, 1952.

Common Stock

A quarterly dividend of $0.15 per share and an extra dividend of $0.10 per share on the Common Stock, both payable January 1, 1953 to stockholders of record at the close of business on December 8, 1952.

Transfer books will not be closed. Checks will be mailed.

WM. J. WILLIAMS
Vice-President & Secretary

COLUMBIA PICTURES CORPORATION

The Board of Directors has this day declared a dividend of twenty-five (25¢) cents per share on its Common Stock and Voting Trust Certificates for common stock, payable December 18, 1952 to stockholders of record December 4, 1952.

There was also declared a stock dividend of two and one-half per cent (2½%) on the Common Stock and Voting Trust Certificates for common stock of the Corporation, payable in common stock on January 19, 1953 to stockholders of record December 5, 1952. Cash will be paid where fractional shares of Common Stock are due.

A. SCHNEIDER,
Vice-Pres. and Treas.

New York, November 18, 1952.

Atlas Corporation

33 Pine Street, New York 5, N.Y.

Dividends on Common Stock

A regular quarterly dividend of 40¢ per share has been declared payable December 20, 1952 to shareholders of Atlas Corporation of record at the close of business November 29, 1952.

A special dividend of 1/50th of a share of Common Stock of Airfleets, Inc. has also been declared to shareholders of Atlas Corporation distributable January 5, 1953, to holders of record at the close of business on November 29, 1952. Scrip Certificates will be issued in respect of resulting fractional shares.

WALTER A. PETERSON, *Treasurer*
November 17, 1952.

Industry—By Industry Survey Of Production Gains and Losses

(*Continued from page* 263)

dividend outlook, it is obvious that the current up-trend in industry is enlarging profits and therefor strengthening dividends for the period directly ahead. The longer-range outlook, especially after the end of the second quarter of 1953 remains much more difficult to predict in view of the many questions which remain to be answered on such matters as the future rate of defense spending, the amount of capital investment, the ending of controls, and the outlook for taxes.

The Failure of Nationalization Abroad

(*Continued from page* 233)

tion, while still a slogan of the Party, was almost deliberately skipped over without much oratory.

There is no known case of nationalization of any industry in any country which has been "successful" without being heavily subsidized by the consumer or by the taxpayer or by both. And one may well quote from a pamphlet, published in Great Britain some time ago:

> "Who is to decide what are the industries and services on which the economic life and welfare of the community depend? Presumably these would-be-dictators, who seem to nurse the peculiar idea that industries would be better run by textbook theorists and others who have never seen inside of a business office than by those who have spent a lifetime in becoming experts in their particular fields."

The best showing has been made in those nationalization cases in Britain, France, and Sweden, which, like our own Tennessee Valley Authority, were clothed with the power of government but possessed the flexibility of private enterprise. The nationalization of the Bank of England, of the Bank of France, and other central banks has really mattered very little, because these central banks were operating within a tight framework of government regulations anyhow. In the case of British Cable and Wireless nationalization or the nationalization of the four large French savings banks, the old managements of these organization were left practically undisturbed, and what happened is that the stockholders were merely replaced by national credit councils or control commission. The most often cited case of a "successful" nationalization, the French automobile factory Renault (nationalized because the former owner cooperated with the Germans), has kept its old management with the exception of the president who is a political appointee.

Nationalization and Coal

Nationalization was to "solve" difficult problems such as the problem of expanding the coal mining industry in Great Britain. Here was an industry, a part of it extremely efficient, and another part notorious inefficient, that was in need of a gigantic program of modernization, re-equipment which perhaps may have been beyond the power of private industry to accomplish. But there was no need for nationalization of the pits that were efficient, and in the case of a poorer field, it could have been determined through experiments whether any improvements could be affected through public ownership and control. As is generally known, despite huge investments (some of which have been indirectly financed through Marshall aid) in new equipment, the British coal production has been unable to keep up with the situation, and the solution will have to be found elsewhere: in a more economical use of coal in households and factories.

Nationalization is a socialist red herring always promising some hypothetical gain in the distant future. But that future never comes, and today the danger of nationalization has passed both on the Continent and in Great Britain. The public has finally awakened to the record of failures and losses that nationalization entails—failures and losses that the taxpayers has to always make up. I can think of no better conclusion than to repeat to the reader the words of the British economist and fighter for free enterprise, Professor John Jewkes:

> The institution of property is the device, and indeed the only known device, by which the individual can freely make his choice as *to how he will spend his resources,* when he will consume, when save. Property is the means by which the individual creates independence for himself against the powers of the powers of organized opinion in the community.

The abolition of private property through nationalization, socialization, municipalization, or any form of public ownership involves ultimately the destruction of all forms of freedom. There are now some 800 million people behind the Iron Curtain who have found this out to their great sorrow.

Many would say that the United States is the only major country in which nationalization of industry has not taken place. Yet, surprisingly, this is not the case in reality. Quite a few instances abound where the government has undertaken a form of nationalization, though on a comparatively limited scale. In this respect, attention can be called to such projects as TVA and the great complex of dams in the Northwest. Another example is the interest of the government in plants of various types operated by private companies, but actually owned by the government. Of course, the greatest example of all is the monopoly of atomic energy by the government. It will be seen from these activities and others which could be cited that even the great exemplar of private enterprise—the United States—has taken no inconsiderable steps in the direction of public ownership, if not nationalization itself. Based on the unhappy experience of many countries with nationalization, it would seem that a sound lesson is being offered this country, and one from which it can profit.

Conservation Efforts Saving Scarce Materials

(*From 7th Quarterly Report to the President*)

Emphasis on conservation in military procurement and industrial operations is saving substantial quantities of critical materials, and heightened scientific re-

search, now under way promises even greater savings.

Extensive scientific information on ways of conserving and augmenting supplies of scarce materials has been gathered and disseminated under ODM sponsorship by the National Academy of Sciences and other scientific and technical groups.

Reports already issued deal with most of the critical materials, and several reports show how savings, sometimes as high as 70 percent, can be made in requirements for scarce materials in major military items.

Important savings of alloying materials are expected from studies now being made on protective coating processes for low alloy metals in high temperature applications, and from studies to determine feasible minimum percentages of alloying materials in various applications.

Nickel-bearing steel has already been taken out of a wide range of quartermaster and medical items; nickel has been partially eliminated from salt-water valves; and ceramic-coated steels are rapidly replacing high-alloy steels for some uses in high-temperature exhaust systems.

The construction machinery industry has reported some notable successes in its search for substitutes for copper, nickel and molybdenum.

One manufacturer has substituted boron-treated chrome steel for nickel and molybdenum alloys in certain parts of its crawler-tractors and trucks, with savings of 70 to 80 percent in nickel and molybdenum.

Special emphasis is being given to a program to develop substitutes for diamond bort as abrasives in grinding processes. Initial trials of a new, ultrasonic method of grinding indicate a likelihood that, in certain operations, the use of lower-grade abrasives at tremendous speeds may result in substantial savings of diamond bort. Electric grinding also promises significant saving of the scarce abrasive materials.

Crushing bort and diamond powder, the types of industrial diamond abrasives now in short supply, are essential to the production of jet aircraft, armor-piercing shells and various types of armament. They are imported almost entirely from Africa—a source from which supplies might be seriously interrupted in event of a new war.

Foreign Aid in Fiscal 1952

(Report from U.S. Dept. of Commerce)

Gross foreign aid extended by the United States Government in fiscal year 1952 amounted to $5 billion, the U.S. Department of Commerce reported. This brought total assistance in the two years since the outbreak of hostilities in Korea to $9.8 billion.

Military aid rose rapidly following the invasion of Korea, accounting for 38 percent of gross foreign aid in fiscal year 1952 as compared to 24 percent for 1951, according to an article in the October *Survey of Current Business* issued by the Department's Office of Business Economics. By the final quarter of fiscal year 1952, military aid had risen to 44 percent of the total. In that quarter economic aid also increased, and gross foreign aid reached an annual rate of over $6 billion.

Grants comprised a smaller proportion of the assistance flowing abroad in fiscal year 1952 than in the prior year. However, they still represented nearly nine-tenths of all aid. Total grants in the two-year period reached $8.8 billion.

Although economic aid, technical assistance, and relief still comprised over three-fifths of total aid in fiscal year 1952, such aid was nearly $600 million less than in the prior year. This decline took place entirely in grants; credits represented over one-fifth of the economic-aid total in fiscal year 1952 as compared to about one-tenth in fiscal year 1951.

During fiscal year 1952 the mutual-security program absorbed the European-recovery and other economic - cooperation programs, the Point 4 program for technical assistance to underveloped areas, and the mutual-defense assistance program which had earlier furnished military aid. Grants abroad through the mutual-security program and its predecessors amounted to $4.1 billion in fiscal year 1952 and credits to $0.4 billion.

Loans extended by the Export-Import Bank increased slightly in fiscal year 1952 to total $243 million. These credit utilizations represented the second largest category of economic aid. Civilian grants of the Defense Department —which are more in the nature of relief than of economic aid—declined to $205 million, less than half the prior year's amount. Many of the other programs under which the United States furnished grants abroad in the earlier postwar period were either terminated during the year or supplanted by the mutual-security program.

(Please turn to page 266)

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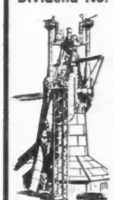
TEXAS GULF SULPHUR COMPANY

The Board of Directors has declared a dividend of $1.00 per share and an additional dividend of 75 cents per share on the Company's capital stock, payable December 15, 1952, to stockholders of record at the close of business November 24, 1952.

E. F. VANDERSTUCKEN, JR.,
Secretary

INTERLAKE IRON CORPORATION
CLEVELAND, OHIO

Dividend No. 34 November 20, 1952



The Board of Directors has this day declared a dividend of seventy-five cents (75¢) per share on the outstanding shares of common stock without par value of this Corporation, payable December 15, 1952, to stockholders of record at the close of business December 1, 1952. The transfer books do not close. Checks will be mailed.

J. P. FAGAN
Executive Vice President and Treasurer

DIVIDEND NOTICE

Jefferson Lake Sulphur Company

The Board of Directors at a meeting October 27, 1952, declared the regular quarterly dividend of 25 cents per share on the Common shares, payable December 26, 1952 to shareholders of record December 5, 1952.

CHAS. J. FERRY,
Vice-President & Secretary

Foreign Aid in Fiscal 1952

(*Continued from page* 265)

Returns to the Government as a result of its foreign-aid programs totaled nearly a billion dollars for the two years ended June 1952. Thus net aid amounted to almost $9 billion, comprised of $8-1/3 billion of net grants and half a billion of net credits.

Collections on credits accounted for two-thirds of the returns in the two-year period. These collections included in fiscal year 1952 the first principal payments on the $3-3/4 billion British loan and on the British and French war-account settlements. Other returns to the Government were mostly in the form of foreign currencies made available without cost to the United States by the recipients of grants.

The Trend of Events

(*Continued from page* 216)

and health.

The significance of these activities, in which the United States government, has a very lively though not direct interest, should not be underestimated even though the amounts actually put out in current investment are still comparatively small. They accomplish three purposes. In the first place, they increase the production facilities of the territories involved; in the second, they have the potentiality of raising living standards, even though as yet on a most modest scale, and in the third, they reduce, or should reduce, the temptation for these submerged masses to turn to the ever-ready communists. In view of the enormous strategic stake which the United States has in these regions, entirely apart from ordinary considerations of humanity, we are obliged to give active support in one way or another to those international organizations which are active in these undertakings.

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(See charts on pages 240, 241, 242, of this issue of the Magazine of Wall Street.)

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BOOK REVIEWS

Public Relations and American Democracy

By J. A. R. PIMLOTT

Here is a vigorous treatment of public relations which is neither apologia nor exposé but an objective study of one of the most powerful forces in commerce, government, and cultural life.

The book is based on what public relations people do, not upon what either they or their hostile critics say they do. The author seeks to learn what social purpose is served by public relations practitioners, and to test the claim that the "new profession" is expert not merely in interpreting policy but also in formulating it. Much of the book is devoted to a case study of the informational and propaganda activities of the federal government.

Princeton $4.00

World Resources and Industries

By ERICH W. ZIMMERMANN

This monumental work has been a classic in its field for close to two decades. The new edition, which brings the work up to date and expands the treatment of many topics, is of the highest importance in the present state of world affairs.

Production has now become the key to survival, not only in America, but throughout the world. Resources *and their utilization* provide the key to production.

To everyone engaged in productive enterprises—whether concerned with foods, fibers, forest products, coal, oil, gas, electricity and other forms of power, iron and steel, copper and other metals, or chemical industries—this new book will prove as indispensable as a dictionary to a writer.

Harper & Brothers $7.50

The Old Man and the Sea

By ERNEST HEMINGWAY

When a writer of world stature looks beyond the conventional forms, improvising in effect his own new mode for a theme in fiction, the result sometimes is world literature. In that way some of the great classics have come into being; each one is like no other, each one is creation in the truest sense, and each sets a new pattern for generations of followers.

In *The Old Man and the Sea* a new classic emerges, a great book that is like no other. Shorter than the accepted novel, longer than what has come to be caled the long story, *The Old Man and the Sea* cannot be classified, for it writes its own law in literature. It is simple, compelling, magnificent. Every word is right; not one word more is needed, and there should assuredly be no less, for the result is art.

Charles Scribner's Sons $3.00

Hongkong

By CHRISTOPHER RAND

Orient and Occident meet in Hongkong to fight and mix. Since many traces of Victorian colonialism survive here, the port is a bridge between Britain's past and her present. It is a city crammed with refugees, secret agents, propagandists, speculators, and great legitimate business enterprises. It is the scene of endless skirmishing between stuffy British legalism and Chinese tong warfare. It is a dazzlingly beautiful place, a spectacular harbor choked with steamers, junks, and sampans, overlooked by wild tropical-green peaks. The book presents these scenes, contrasts, and activities in a light way, through sights and smells, anecdotes and personalities, concluding with a remarkable picture of the lesser Hongkong island of Lantao, which is Mr. Rand's personal Shangri-la.

Alfred A. Knopf $3.00

American Resources

By J. RUSSELL WHITAKER and EDWARD ACKERMAN

This is a definite volume on the subject of American material resources as the foundation of our national power. In dealing with this problem, the authors come to rather different and more hopeful conclusions than those in other recent books on the subject. *American Resources* goes farther than any published work in taking account of the social and economic and political setting of conservation problems, and the authors make a plea for more awareness of the complex problems of resource management on the part of the ordinary citizen.

Harcourt, Brace and Company $6.75

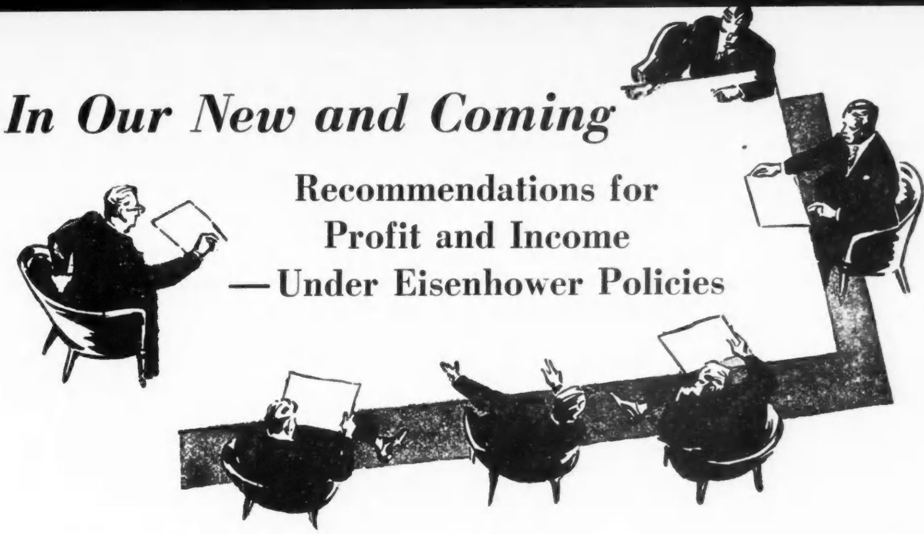
The Curve and the Tusk

By STUART CLOETE

This is a story of elephants and the universe; of the deep forest of darkest Africa, of the two huge old bull elephants and their vengeance on the hunter who long ago wounded one of them. It is the story of elemental forces clothed in the majestic forms of living Leviathans, and the heroic scale on which it is written calls to mind Melville's great classic, *Moby-Dick*.

HMCO $3.00

Share In Our New and Coming



Recommendations for Profit and Income —Under Eisenhower Policies

The principles and policies which have been advocated by our newly-elected President—have been carefully studied—so our new investment programs are geared to probable changes ahead.

Right now, we are recommending at specific prices six highly promising situations for 1953—issues that should DO WELL and PAY YOU WELL.

... And, at individual bargain levels, we will make further judicious selections including medium and low-priced stocks, which should be among coming market leaders ... to round out our three diversified investments programs:

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PROGRAM THREE **... Low-Priced Stocks for Large Percentage Growth – Where a maximum number of shares may be purchased with limited capital.**

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You will receive our weekly bulletins keeping you a step ahead of the crowd in relation to the securities markets, the action of the various stock groups, the outlook for business, as Republicans assume control ... as well as interpretation of the Dow Theory and our famous Supply – Demand Barometer.

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Market Buoyant on Renewed Confidence

(*Continued from page* 219)

porting record over-all economic activity. When they weaken, nothing else will fully take up the slack.

Meanwhile, the market might go higher with opportunities for short-term and medium-term investment in stocks; but the longer-term considerations cited, no secret to intelligent investors, can reasonably be expected to put a brake on enthusiasm in the longer run and to limit the upside potential. Prolonged periods of strength, therefor, should be used to put your investment house in order. Avoid any temptation to materially enlarge your over-all stock holdings at this stage. Portfolio adjustment should emphasize both quality of holdings and selective profit potentials, both medium term and long term. To that end specific security suggestions will be found elsewhere in this and future issues of the Magazine.

—Monday, November 24.

this sword means Cancer SERVICE

Six hundred thousand patients are under treatment for cancer today.

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BOOK REVIEWS

Economic Stabilization

By WALTER P. EGLE

This is a theoretical discussion of the problem of achieving economic stabilization. Mr. Egle holds that the lack of trustworthy knowledge about the causes of cyclical fluctuations seriously reduces the practical importance of the cause-removal approach to economic stabilization.

The key to the solution, according to Mr. Egle, is a compensatory program which clearly spells out the role to be played by government in the face of business swings. There can be no intelligent response on the part of private enterprise to central compensatory efforts unless the community of businessmen, labor unions, farmers, and consumers is able to anticipate the character, timing, and order of magnitude of the government's countercyclical measures.

Princeton University Press $4.00

Thinking Ahead for Business

By EDWARD C. BURSK

The future course of American business will depend a great deal on the political, economic, and psychological forces now at work throughout the world. The alert businessman cannot but ask "What are the patterns and prospects of these forces? How will they affect my business? What problems and responsibilities will they present to me —now and in years to come?" This book deals with exactly these questions. Written for businessmen by the kind of men who make the policy decisions that matter to business, it presents the external forces and the internal problems with which business must reckon, today and in the future. The struggle for men's minds abroad, the Red menace in Asia, mobilization of our Western allies, and our relations with Latin America are facets of the international scene discussed here: the home front problems include inflation, price and wage controls, materials control, and manpower. Business executives will find this book a valuable guide toward intelligent planning, both for tomorrow and for the difficult years ahead.

Harvard University Press $3.25

A Textbook of Law and Business

Noteworthy Features:

—an extensive treatment of commonlaw doctrines basic to past and future statutory developments.

—emphasis on leading cases, most significant sociologically and most useful pedagogically.

—up-to-date and reappraised material in the light of recent legal developments.

—new analysis of the theory of tors, giving recognition to the reestablishment in our law of the doctrine of liability without fault.

—more detailed reference to statutory materials.

—inclusion of important and recent cases.

McGraw-Hill Book Company $7.50

Midcentury Journey

By WILLIAM L. SHIRER

In MIDCENTURY JOURNEY, William L. Shirer, reporter, novelist and social historian, reappraises the European scene and gives us a modern European diary, a book comparable in scope and power to his famous BERLIN DIARY.

Mr. Shirer's new work is based primarily on his journey to the Old World when the century was half over. Once there, the author found himself constantly considering what had happened to Western Europe in the quarter century since his first experiences there as an American war correspondent.

As he journeys from capital to capital, from Vienna to Paris to Frankfurt to Berlin to London, he begins, in his mind, a journey back in time, trying as best he can to bridge the gulf between Now and Then, between two worlds separated by almost incredible social convulsions.

Farrar, Straus and Young, Inc. $3.50

A Stranger Came to the Farm

By MIKA WALTARI

Against the haunting background of the Finnish countryside with its innumerable lakes and mountains, the drama of the stranger Aaltonen and the enigmatic mistress of the farm is played out. Both find a brief happines, brief as the lovely Finnish summer, in spite of the hatred of the woman's husband, tortured, neurotic and given to drink. But through the Northern woods their fate stalks them inexorably.

With artful simplicity Mika Waltari develops his plot and increases our knowledge of the protagonists until we feel that we are in the whitewashed rooms of the remote farmhouse, sharing the tensions and passionate releases of these three human beings, whose tragedy has universal significance. The result is a novel as strong and well constructed, and as moving, as *Ethan Frome*.

Putnam $3.00

Art Treasures of the Metropolitan

In many ways, the ART TREASURES OF THE METROPOLITAN is a most ambitious book to date and, unique amongst art books. The Director and his staff plan what would be in effect a "portable Metropolitan," the absolute cream of the fabulous collections... and they have done a simply wonderful job. The 211 reproductions in the book include the best of paintings, sculpture, furniture, stained glass, jewelry, tapestries, religious objects, prints, drawings—across the centuries and from all over the world. (American art has been reserved for a separate, later volume.) One hundred and thirty color plates give the book its particular glory. The profusion of black-and-white, printed in a special two-tone process is another striking feature of the book.

Harry N. Abrams $12.50

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President-elect Dwight Eisenhower and the 83rd Congress are going to do a workmanlike job in overhauling many governmental policies . . . making significant changes that can affect the earnings and dividends of the companies whose shares you own.

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The pertinent and informative nature of our preliminary analyses is clearly shown by the comments of responsible investors who have taken advantage of this special offer extended to you now.

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Filming Facts About Flames—Moving pictures like these—taken with a high-speed camera through a quartz window set in a test engine—help GM engineers probe for further facts about fuels and engines. It is typical of the pure research which has led to such advances as knock-free gasoline and high-compression engines.

Which comes first — Engine or Fuel?

To answer that question, we need first to ask what kind of engine you have in mind:

An engine for low-octane fuel—or an engine for high-octane fuel? An engine for the fuel of tomorrow—or the fuel of today?

The fact is, General Motors engineers are continually studying engines of all kinds, and meeting the challenge that each presents.

The Diesel, for example, is a very high-compression engine, using kerosene-type fuel oil. The challenge is to build a light, compact engine that develops high efficiency from this kind of fuel.

Jet engines will burn a wide range of petroleum fuels. The challenge is to improve their design and efficiency and bring down their production costs.

In automobile engines, we work first of all to give you a balanced combination of high performance and maximum miles per gallon from present fuels—and at the same time we work with dream jobs which use fuel so far beyond present standards that it must be laboratory-made.

The point about engines and fuels is—neither comes first. The job is to bring the two together, with the best results and that is just what General Motors engineers have been doing, year after year.

All of which adds another reason why the key to a GM car is your key to greater value.

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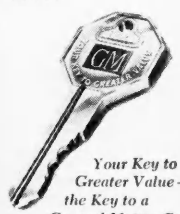

Your Key to Greater Value—the Key to a General Motors Car

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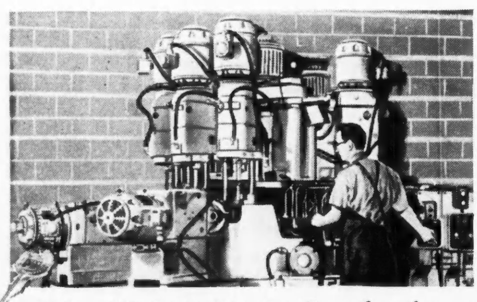
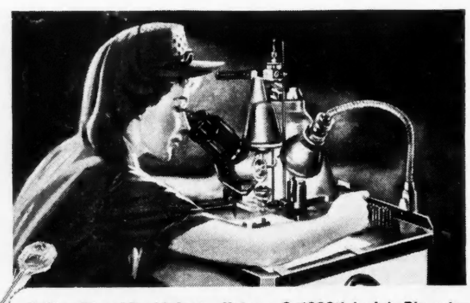


30 Tons of Engineering Enterprise—To produce the new four-barreled carburetor now available in several makes of GM cars, our engineers came up with this ingenious 30-ton machine that drills, reams and taps them out with automatic precision.



Drilling Diesel Fuel Injector Holes—6/1000th Inch in Diameter—Fuel is forced into the combustion chamber of a Diesel engine through tiny holes. To drill them—GM production experts have developed this highly sensitive machine that insures precision work.